FINANCIAL TIMES

Irish elections

Decisive factor may be Greens

Page 3

German industry

On the verge of a productivity surge

Peter Norman, Page 11

Factor Four

Double wealth by halving resource use

Book review, Page 10

Pulp futures

Volatile prices provide promising background

Page 24

World Business Newspaper http://www.FT.com THURSDAY MAY 29 1997

Amex, IBM and Hilton launch US smartcard

General purpose microchip smartcards are to be introduced in the US under a travel-industry scheme announced yesterday. Although smartcards – plastic cards with an embedded computer microchip – have been used in some European countries including France, Germany and Holland for a number of years, the US has lagged behind. Travellers will be able to use the card for checking in and out of hotels, electronic airline ticketing and charge card payments. The launch, by a consortium of American Express, IBM and Hilton Hotels Corporation, represents a breakthrough for smartcard technology in the North American market. American Express senior vice-president David Boyles said: "We have merged the air, hotel and normal credit card capability on to one card." Page 12

Eurotunnel renegotiation: Shareholders in Eurotunnel are attempting to renegotiate the terms of the restructuring deal unveiled last year with the group's bankers. Page 13

Shipowner shot dead: Three gunmen shot dead Greek shipowner Constantine Peratikos, 42, as he was leaving his office in the port of Piraeus. It was unclear whether it was a criminal attack or the work of urban terrorists.

Bob Dylan in hospital after heart scare

Singer Bob Dylan (left) has cancelled a UK tour after suffering a serious heart scare. Dylan, 56 last week, was admitted to hospital suffering from severe chest pains. Doctors diagnosed his condition as *histoplasmosis*, a potentially fatal infection of the sac surrounding the heart, producing symptoms similar to tuberculosis. He is being treated in an undisclosed hospital in the US and is likely to remain there for some time.

Gazprom shares ban: Russian president Boris Yeltsin issued a decree effectively banning foreigners from buying domestic shares in Gazprom, Russia's biggest company. Page 13

BSE beef warning: Britain is likely to ban some beef from other European Union countries if government scientists advise that it could be contaminated with BSE. Page 8

Swatch group boost: SMH, Switzerland's biggest producer of watches including the Swatch brand, has seen "very significant" sales growth in the first four months of 1997. Page 13

Sega up, Bandai down: Shares in video games maker Sega rose Y80 (68 cents) to close at Y3,780 after the company reported a strong rise in annual sales and profits. Bandai, which makes the popular *tamagotchi* virtual pet, reported a net loss, prompting a fall in its share price and an offer of resignation by its president, Makoto Yamashina. Earlier this week Sega and Bandai abandoned their plans to merge because of opposition within Bandai. Page 13; Size loses to hearts and minds, Page 14

Attempt to curb shareholders: Japanese business leaders are lobbying parliament to maka it harder for shareholders to sue directors for corporate wrongdoing. *Keidanren*, the country's powerful business federation, wants legislators to curb shareholder activism after a surge in legal actions against directors. Page 12

Pentium court fight: A legal battle between microprocessor producer Intel and Digital Equipment, one of its longest-standing customers, escalated with Intel filing a counter suit demanding the return of technical information on one of its new Pentium chips. Page 12

Brazil stake: A consortium led by US power companies AES and Southern Electric have bought a one-third stake in Cemig, the Minas Gerais state electricity generator and distributor, for R$1.15bn ($1.1bn). Page 13

Venezuela cabinet probe: The entire Venezuelan cabinet is to be investigated following allegations of misallocated funds. Page 4

© Cantona: Former Manchester United footballer Eric Cantona has applied to UK patent office to register his name and the phrases *Ooh, Aah Cantona* and *Cantona 7* (his shirt number) as commercial trademarks.

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STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	7,353.36	(-30.05)
NASDAQ Composite	1,407.90	(-1.31)
Europe and Far East		
CAC40	2,583.17	(-97.17)
DAX	3,636.42	(-37.94)
FTSE 100	4,677.5	(-4.1)
Nikkei	20,351.34	(+461.45)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.145%
Long Bond	95¾
Yield	6.906%

OTHER RATES

UK: 3-mo Interbank	6⅝%	(6⅝%)
UK: 10 yr Gilt	100½	(100¼)
France: 10 yr OAT	97.57	(97.56)
Germany: 10 yr Bund	100.69	(100.59)
Japan: 10 yr JGB	102.14	(102.41)

NORTH SEA OIL (Argus)

Brent Dated	$18.97	(20.22)

GOLD

New York: Comex		
May	$345.30	($44.50)
London:		
close	$344.15	(343.95)

DOLLAR

New York: lunchtime		
£	1.63695	
DM	1.6956	
FFr	5.7193	
SFr	1.417	
Y	115.975	
London:		
£	1.6362	(1.6289)
DM	1.6988	(1.7012)
FFr	5.736	(5.7388)
SFr	1.4156	(1.418)
Y	115.445	(116.605)
Tokyo close:	Y 116.9	

STERLING

DM	2.7796	(2.771)

Kohl shrugs off central bank protest ■ Future of Emu thrown into confusion

Bundesbank rejects gold plans

By Peter Norman in Bonn

The future of Europe's planned economic and monetary union was thrown into confusion last night after the Bundesbank rejected tha German government's plans to meet the Maastricht criteria for entry to Emu by revaluing Germany's gold reserves.

The Bundesbank's toughly worded statement set it on collision course with Chancellor Helmut Kohl's government. The crisis triggered volatile conditions on financial markets with the D-Mark oscillating between strength and weakness against the dollar and sterling.

Mr Kohl – backed by his top political allies – swept asida the Bundesbank's protest. A statement issued by Mr Kohl, the finance minister Theo Waigel and other Bonn coalition leaders made clear the govarnment would go ahead with its plan to changa the Bundesbank law and transfer part of an extraordinary gain from the revalnation of the gold reserves to Bonn this year. Such a move would help to keep Germany's 1997 public deficit below the target of 3 per cent of gross domestic product laid out in the 1992 Maastricht Treaty and could bring Germany's pnblic debt down towards the 60 per cent of GDP prescribed in the treaty.

The Bundesbank cannot prevent the government from changing the law to allow the gold revaluation. But, according to analysts, the central bank could refuse to transfer the resulting gain to Bonn in the present calendar year, on the grounds that it has already made its annual profit transfer to the federal accounts.

After an unusually long meeting of its decision-making central council, the Bundesbank said Mr Waigel's plan to revalue the gold "could be construed as an attack on Bundesbank independence".

It said the plan to use a capital gain from the gold revaluation this year to meet the Maastricht criteria did not conform with the planned rules of the future European central bank. It said such action could undermine tha "credibility and stability" of the planned European single currency. The Bundesbank reminded the Bonn government that it, and the bank, had always insisted that the convergence criteria should be met "credibly and sustainably to establish Emu on solid foundations".

Mr Kohl and the other coalition leaders said there was oo need to wait for 1999, when the ECB would have decided how to revalue the gold. Declaring it was "sensible and also responsible" to adjust the value of the gold now, they insisted the bank's independence would not be diminished. They said the gold would be revalued conservatively "and more cautiously than in most other European central banks".

Publicatioo of the Bundesbank's statement came after a day of tension on financial markets. The Bundesbank was

Continued on Page 12
Jospin bits at Germany, Page 2; Turmoil and paralysis, Page 11; Lex, Page 12

Clinton urges EU to expand eastwards

By Lionel Barber in The Hague

US President Bill Clinton yesterday urged the European Union to move "swiftly" on enlargement into central and eastarn Europe, ending once and for all the Cold War's artificial division of the continent.

In a speech commemorating the 50th anniversary of tha Marshall Plan, the American aid programme to western Europe after tha second world war, Mr Clinton said it was time to finish tha job.

He told an audience of leaders and dignitaries from more than 50 European countries in The Hague: "Together, America and this new Europe must complate the nobla journey that Marshall's generation began - this time, with no one left behind."

Mr Clinton avoided making new offers of financial aid to support reconstruction in eastern Europe, suggesting the private sector should take the lead along with the "historic process" of EU enlargement.

Mr Wim Kok, Dutch prime minister and host of the gathering, called for a collectiva effort to modernise roads, railways and telecommunications linking the peoples of Europe. The estimated cost would run as high as $100bn, he said.

Mr Kok floated tha idea of a Euro-Atlantic conference later this year to discuss easing the flow of private capital.

Mr Clinton drew a direct link between Nato's imminent enlargement to central and eastern Europe and the need to create a stable climate in which democracy would take root and private entrepreneurs would flourish in central and eastern Europe.

He restated the US political and military commitment to Europe in the strongest terms: "We will not walk away. For America, the commitment to our common future is not an option; it's a necessity."

Mr Clinton made clear that Nato's invitation to new members in six weeks – most likely to tha Czech Republic, Poland and Hungary – would not be the last: "Nato'a doors must and will remain open to all those abla to share the responsibilities of membership."

The theme of a "Europe whole and free" reverberated throughout the celebrations in memory of George Marshall, US secretary of state, who drew up the visionary postwar aid programme on tha orders of President Harry Truman.

The Marshall plan funnelled $13bn ($88bn at today's prices) to western Europe. By contrast, the European Commission estimated yesterday that tha 15 members of the EU had channelled nearly $150bn in loans and other forms of aid to eastern Europe and the former Soviet Union since the fall of the Berlin Wall in 1989.

Mr Clinton will today visit Mr Tony Blair, the Britisb prima minister, and address tha entire cabinet.

Labour draws on Clinton's lessons in US, Page 10
Editorial Comment, Page 11

A tornado rips through Cedar Park, Texas. At least 27 people were killed as several twisters swept through the US state. The death toll was expected to rise, with another 23 people reported missing in the small town of Jarrell. Picture: Reuter

Intel counter-sues Digital over chip

By Louise Kehoe in San Francisco

A legal battla between Intel, the world's largest microprocessor producer, and Digital Equipment, one of its longest-standing customers, intensified yesterday when Intel filed a counter suit demanding the return of technical information on one of its naw Pentium chips.

Intel also said it had no contractual obligation to supply Pentium microprocessor chips to Digital beyond tbe third quarter of this year, despite Digital statements to the contrary.

Intel's action comes just two weeks after Digital filed suit charging Intel with "wilful and deliberate" infringement of 10 Digital microprocessor patents. Digital is the fourth largest US computer manufacturer.

Intel has already cnt off Digital's access to further information about new Intel microprocessors.

Intel's action, if enforced by the court, could put Digital at a severe competitive disadvantaga in the markets for personal computers and servers based on Intel chips. These comprise more than half of Digital's annual computer sales, according to industry analysts.

Digital said yesterday it did not expect any disruption of its business as a result of the legal disputes with Intel.

"There has been no disruption of supply of products from Intel and we expect none in the future."

Intel typically shares technical details and samples of oew chips with leading computer manufacturers. This enables the computer companies to get a jump start on designing new

Continued on Page 12

Guinness merger is thrown into doubt by LVMH head

By John Willman in London and Andrew Jack in Paris

The £23.8bn ($38.7bn) merger between Grand Metropolitan and Guinness was thrown into turmoil yesterday when Guinness's largest shareholder attacked the plan and threatened to end joint ventures which are central to the new group's success.

Shares in both UK companies closed lower – Guinness falling 14p to £5.82 and Grand Metropolitan down 15½p to £5.81 – after LVMH, the French luxury goods group which owns 14 per cent of Guinness, said the merger would allow it to terminate joint distribution in France, the US and Asia.

Ending the joint ventures would strip Guinness of control over sales in key emerging markets and block the use of these outlets to distribute GrandMet brands.

LVMH is also threatening to exercise rights to buy back Guinness's 34 per cent stake in Moët Hennessy, the French group's drinks subsidiary, at a discount. Guinness quickly issued a statement insisting the merger was still on track.

"We would not have gone ahead with it if we had not been absolntely sure that it does not trigger these termination arrangements," a spokesman said.

The merger to form GMG Brands, the world's largest spirits and wines group, was announced by the two companies on May 12.

Mr Bernard Arnault, LVMH chairman and a Gninness board member, voted against – proposing the drinks interests of all three companies be merged and the food businesses spun off.

LVMH said yesterday its proposals ware still on the table. But it would exercise rights under a 1994 agreement with Guinness to end links between the two companies in the event of certain "control events" involving acquisition by a competitor. Although the formation of GMG Brands is structured as a Guinness takeover, Mr Arneult sees it as a GrandMet bid, in which the latter company emerges with the most important jobs.

Under the 1994 agreement, any attempt by Guinness to block the bny-backs would laad to arbitration by tba International Chamber of Commarce in Paris under French law.

"If it has taken LVMH two to three weeks to reply to the merger plans, it is because it has been looking at the cootracts and talking to its lawyers," said an adviser to the group. "If Guinness contests, LVMH will go to arbitration."

An analyst commented yesterday: "One option would be for them to bny ont Mr Arnault's 66 per cent stake in Moët Hennessy.

"That could cost as much as £2.5bn – the sort of money the merged group was promising to hand back to shareholders."

Lex, Page 12

CONTENTS

Social Democrats poised to rule out joining first wave of entrants to single currency

Sweden to hold back from Emu start

By Greg McIvor in Stockholm

Sweden's Social Democratic government is poised to rule out joining the proposed European single currency at its planned start in 1999.

Swedish media, quoting unnamed party sources, said the SDP's national executive committee had resolved that the country would not participate in the first wave of countries which form the European economic and monetary union.

Additionally, the reports indicate that the government would only decide to enter at a later dats after fighting a general election on the Emu issue.

That could delay a decision on whether to join the single currency until 2003.

The SDP had been widely expected to adopt a "wait-and-see" approach to Emu against a background of strong public and internal party opposition to the project.

Ministers had previously signalled that a decision to join would be taken by parliament, reflecting a widely held belief that a referendum would be difficult to win.

Analysts said the government might feel more able to win a general election vote on Emu, although the tactic could be risky because of the divergent opinions within the party.

Mr Göran Persson, the prime minister, declined to comment on the reports but stressed that it was important for any eventual decision to join to be democratically anchored.

He said the leadership would unveil its official stance on Friday or next week.

Investors bave largely discounted Swedish absence from the first phase of Emu, but the reports still depressed the krona and pusbed up interest rates.

The 10-year bond yield rose 7 basis points to 6.85 per cent, while the krona slipped 2 pfennig against the D-Mark to DM4.52. Share prices were also down.

Sweden meets several of the key Emu entry requirements.

Its budget deficit and inflation rate are well within the target levels and interest rates are low, although the krona is outside the European exchange rate mechanism.

A Swedish opt-out from Emu would not be universally welcomed by its EU partners. The current Dutch presidency yesterday insisted Sweden was obliged to join if it qualified.

Finland, which is aiming to be among the first batch of euro zone members, is also keen to see Swedish participation.

Finland's big forestry industry is concerned that its Swedish rivals could gain a currency advantage if Sweden stays out.

Mr Klas Eklund, chief economist at Skandinaviska Enskilda Banken in Stockholm, suggested Mr Persson's preference was for the Swedish economy to be strong enough to remain outside Emu.

"But he realises that he needs the flexibility if it becomes too costly to remain outside," he said.

A resolution to defer membership would smooth the SDP's relations with the opposition Centre party, with which it co-operates closely and on which it relies for a parliamentary majority.

The anti-Emu Centre recently threatened to turn its back on the SDP if it sought to join a single currency without a referendum.

Jospin raps Germany over criteria 'fudge'

By David Buchan in Paris

Mr Lionel Jospin, the Socialist leader who is set to become prims minister if the left wins Sunday's run-off election in France, yesterday rapped the German government for resorting to accounting devices to qualify for the single European currency.

Speaking on radio, Mr Jospin referred to the recent move by Mr Theo Waigel, the German finance minister, to revalue his country's gold reserves in such a way as to make it easier for Bonn to meet tbe Maastricbt treaty criteria. "Our German friends, wbo are so rigorous about the criteria, are looking to see if they can't fudge things."

Mr Pierre Guidoni, the Socialists' international secretary, later explained that Mr Jospin was not accusing Bonn of doing anything wrong, but rather just pointing out that "Mr Waigel is ill-placed to give lessons [on meeting the criteria] to others, notably France and Italy". Some German criticism had followed France's decision to use a pension-related payment from France Télécom to reduce its 1997 budget deficit and Italy's imposition of a "Euro-tax" for the same purpose.

Mr Guidoni said the left would not reverse the Juppé government's incorporation of the FFr37.5bn ($6.53bn) France Télécom payment into this year's budget. "What's done is done," bs said, in contrast to the planned partial privatisation of France Télécom which the left would abandon if it won power.

The franc lost ground yesterday, falling to FFr3.382 to the D-Mark by 6pm yesterday, on rumours of unpublished opinion polls indicating a leftwing victory on Sunday. The same rumours also affected the Paris stock market whicb closed 3.63 per cent down on the day.

At the same time, the French Socialists yesterday issued a joint declaration with their German counterparts, the opposition SPD, calling for a European employment pact to reduce the continent's 18m unemployment figure . It said, "monetary union is not an end in itself" and urged "better co-ordination between European governments to stimulate growth."

French PM Alain Juppé (left) leaves the Elysée Palace after his last cabinet meeting flanked by health minister Herve Gaymard and labour minister Jacques Barrot (right) Reuter

The joint declaration, intended for a European socialist conference in Sweden next week, was actually negotiated in lats April. Mr Guidoni said ths French Socialists had always intended to release it between the two rounds of the French elections.

Meanwhile, President Jacques Chirac used yesterday's last cabinet session of the outgoing Juppé government to reinforce his televised warning on Tuesday nigbt against voters forcing a leftwing government on him. "France cannot suddenly change course without serious risks of creating confusion and weakening the country."

Battling trio in fight to save their seats

Centre-right ministers find revitalised Socialist challenge on their Paris patch puts their political careers in jeopardy

Ms Anne-Marie Conderc perches on a chair in a crowded east Paris living room and presses on with her fight.

The employment minister in tbe last centre-right administration is one of three ministers battling for survival against a revitalised Socialist challenge in a small semi-circle of territory in the heart of the Frencb capital.

The fortunes of this trio – Mr Jacques Toubon, justice minister, and Ms Corinne Lepage, environment minister, are the other two – may provide a useful pointer to the outcome of Sunday's knife-edge second-round election.

Win and the centre-right will probably be celebrating a renewal of its mandate nationally, in spite of tbe shock of last Sunday's poor first round result. Lose and Mr Lionel Jospin, the Socialist leader, is likely to be on his way to the Matignon.

Ms Couderc's position looks the most precarious. She acknowledges to a group of about 25 largely sympathetic voters that she faces an "unfavourable but close run-off" in a constituency where "sensibilities are a little bit leftwing".

In an bour or so with this not particularly testing audience, she displays plenty of fighting spirit and a firm grasp of detail but little of the popular touch sbe is likely to need to bring voters round.

With the votes of minority parties sucb as the Communists and the Greens likely to switcb wholesale to Mr Jean-Marie Le Guen, ber determined bnt understated Socialist opponent, Ms Couderc's best chance may lie with the 36 per cent of voters who abstained in the first round.

Next door, in Paris's tenth constituency, Mr Toubon should have less difficulty in securing re-election. His first round tally of almost 35 per cent gives him a five-point cushion over tbe Socialists' Mr Serge Blisko, a dishevelled but aimiable doctor whose campaign literature is edged in striking fuschia – "a colour I like".

Mr Toubon's task may be made harder by an appeal this week by the hard-right National Front to its supporters to seek to "eliminate" him in Sunday's vote. Mr Jean-Marie Le Pen's party secured nearly 9 per cent of first-round votes in the constituency. Bnt even Mr Blisko expects no more than one in five of these to switcb to tbe Socialists in the second round.

Perhaps the most intriguing contest pitcbes Ms Lepage against Mr Patrick Blocbe, a young-looking 40-year-old billed by his supporters as "one of the first cyber-candidates" because he has an internet site.

The first round gave Mr Blocbe a slight edge of nearly two percentage points in a constituency with a high abstention rate of 38.5 per cent.

But the higb profile Ms Lepage achieved as environment minister has won her much respect in France's fragmented Green movement, making this one of the few seats in which a big slice of the first-round Green vote will move right rather than left.

Sitting in her stuffy, frenetic campaign beadquarters near the Bastille, its walls plastered with posters and newspaper articles including one beadlined "the green tornado", Ms Lepage certainly bas tbe energy to turn things around. "I have a big reservoir that can be mobilised," she says.

Mr Bloche, however, sees no reason wby traditional rigbtwing voters wbo abstained in the first round should bother to vote on Sunday.

"I don't believe in these rightwing abstainers," be says.

Meanwhile, in north Paris, Mr Patrick Stefanini, anotber prominent centre-right figure, is struggling in most of his waking hours to keep Alain Juppé's old seat for the Gaullists.

Not surprisingly, this ginger-haired, balding version of tbe prime minister seemed in a state of controlled breakdown yesterday, as he sought to consolidate his first-round edge of one point over his Socialist challenger by bringing in Mr Charles Pasqua, the rightwing beavy-hitter, for a joint walkabout.

"Yes, yes, you need more police, and more backing for the police, and you'll get it if you vote for us on Sunday," said Mr Pasqua, the former interior minister known for his crackdown on illegal immigration, to passers-by griping abont delinquents and drugs.

The aim of the Pasqua-Stefanini walkabout was to woo rightwing abstainers and, semi-discreetly, National Front voters. But even the imperturbable Mr Pasqua nearly lost his cool at hecklers (some of them National Front) in a café meeting, telling the proprietress only half jokingly that if she did not give him the Perrier she had earlier promised him, "I'll get behind the bar and help myself."

"We can win, but so can the left," said Mr Stefanini when he managed to get a word in. "The fight, too, across the country will be decided by a few votes, by a few seats." As the Gaullists' national campaign co-ordinator, Mr Stefanini should know.

David Owen
David Buchan

Deutsche Telekom threatened with fine

By Ralph Atkins in Bonn

Tbe German government threatened yesterday to fine Deutsche Telekom, Europe's largest telecommunications gronp, unless it revised plans for connecting would-be rivals to its telephone networks.

In a sharp escalation of a disputs over arrangements for liberalising Germany's telecoms market next January, Mr Wolfgang Bötsch, post and telecommunications minister, issued a formal warning that Deutsche Telekom was abusing its dominant position.

He ordered new proposals by next Wednesday for "interconnection" agreements linking competitors' networks. Deutsche Telekom had failed to meet its rivals' demands for flexible access to customers and its main distribution network.

If it disregarded his directive, Dsutsche Telekom could face a fine of up to DM1m ($590,000), Mr Bötsch said.

Deutsche Telekom sought to defuse the row by saying it had presented three of its main rivals with a fresh offer last week. But last night Mannesmann Arcor – a telecommunications company set up by Mannesmann, the industrial conglomerate, and Deutsche Bahn, the German railway operator – described the new terms as "insufficient". Another large competitor, o.tel.o, said the proposals were still below the standard required by the ministry.

Mr Bötsch's action will go some way to assuaging fears by market entrants that the Boon government, which is acting as regulator until the end of the year, will be soft on Deutscbe Telekom. However, the row over whether Deutscbe Telekom is offering "unbundled" access is only part of complex negotiations over interconnection. Mr Bötsch acknowledged yesterday's decision amounted to a "pre-battle" skirmisb.

Interconnection agreements are important in promoting competition because they give access in the "last mile" into customers' homes or businesses. Mr Bötsch said the government wanted competition "as soon as possible".

Mr Bötsch upset Deutscbe Telekom's share price earlier this week by confirming the federal government was looking to sell its remaining shares in the group earlier than envisaged. His ministry believes sucb a move – needed to help fill holes in Germany's public finances – is justified because Deutsche Telekom's financial position is stronger than foreseen.

However, Deutsche Telekom said it would fight to retain its right to raise new capital on the stock market – whicb the privatisation prospectus said sbould take priority over government sales.

Mr Bötsch said it remained open which option for selling Dentscbe Telekom sbares would be used – via tbe stock market, to a strategic investor or by "parking" the shares with an institution.

German industry, Page 11

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Bank staff may face holidays shake-up

Proposals to harmonise working days across Europe would aid single currency transactions

By Richard Adams and Samer Iskandar

Bank bolidays could become a thing of the past for many bank staff if proposals for a Europe-wide "business day", expected to be put forward today, are adopted by the financial industry.

Financial institutions that continue to observe bank holidays could be forced to compensate banks from other European Union states that do not observe the holiday, or institutions that cboose to ignore the bolidays, according to a draft report obtained by the Financial Times.

The proposals aim to harmonise tbe working practices of banks and financial institutions across Europe after the introduction of a European single currency. Currently, only two bolidays are common to all EU countries: Christmas Day and New Year's Day. Only 50 working days in thc year are sbared by all 15 member states.

"In order to facilitate financial activity throughout the [European monetary union] area, we recommend that the number of Euro business holidays be kept to a minimum and ideally be limited to 1 January and 25 December," the draft document states.

The final version of the joint statement, by the leading financial associations and the two clearing banks that sattle most international securities transactions, is to be released today.

The associations, which account for the vast majority of financial institutions worldwide, think the European Monetary Institute (Emi), the precursor to the European Central Bank, will adopt the same approach for Target, its payments system for financial transactions in euros.

The associations, however, say this approacb "may raise questions concerning national legislation governing bank holidays". It could, in some cases, result in a situation where "institutions unable to make payments specified for a Euro business day due to observance of a national holiday would be liable to pay interest for the period of delay", according to the leaked document.

The Emi, based in Frankfurt, is expected to publisb its own recommendations shortly.

They may include a practical compromise involving holidays that are shared by the majority of EU countries.

The Bank of England, in a report published last month, said it would be almost impossible to harmonise business days in the EU. But its working party of practitioners in London's international financial markets said it would be possible to define a business day for the purpose of determining when transactions involving euros should be settled.

It suggested a definition of days when Cedel and Euroclear – the international clearing banks – are open, in addition to Target. The Bank's working party includes many of the parties to today's joint statement, such as the International Securities Markets Association and the International Primary Markets Association.

CORRECTION

Zagrebačka Banka

In tbe Croatia Survey published in the FT on May 28 the name of Zagrebačka Banka was incorrectly spelt, owing to an editing error.

EUROPEAN NEWS DIGEST

Ukraine and Russia in deal

Ukrainian and Russian leaders said yesterday the two countries had resolved a long-running dispute over the division and berthing of the Black Sea Fleet and were on the verge of signing an historic friendship treaty.

The apparent breakthrough came after a meeting in Kiev between President Leonid Kuchma of Ukraine Mr Victor Chernomyrdin, the Russian prime minister. Their deal seemed to clear the way for the arrival of President Boris Yeltsin to sign a wide-ranging treaty, although the Russian leader's visit has been called off at the last minute on six previous occasions.

On the contentious issue of the Black Sea Fleet, Russia appears to have dropped its demand that Ukraine abandon the port of Sevastopol. Instead, the two countries will both base fleets there. *Chrystia Freeland, Moscow*

Macedonian cabinet shake-up

Mr Branko Crvenkovski, Macedonia's prime minister, has implemented a far-reaching shake-up of his cabinet in an attempt to rebuild confidence in his embattled government. He has brought in three new deputy prime ministers and nine new ministers.

The coalition led by the Social Democratic Alliance has come under growing pressure from the opposition to call early elections. Turmoil has been triggered by the collapse earlier this year of a private savings bank suspected of investing depositors' funds in pyramid finance schemes in neighbouring Albania.

Mr Crvenkovski has replaced several senior ministers including Mr Jane Miljovski, deputy prime minister and architect of many of economic reforms, and Mr Ljubomir Frckoski, the foreign minister. The former defence minister, Mr Blagoj Handziski, takes over the foreign portfolio.

Mr Borko Stanoevski has been replaced as governor of the central bank by Mr Ljube Trpeski, former deputy prime minister, who last year led Macedonia's successful negotiations over its share of the commercial bank debt of former Yugoslavia. *Kevin Done, London*

Albright firm on war crimes

Mrs Madeleine Albright, US secretary of state, yesterday signalled a tougher stance on the tracking down of war criminals in Bosnia. Speaking at the United Nations war crimes tribunal in The Hague, she said: "Make no mistake, there is no statute of limitations on the crimes that were committed in Bosnia and Rwanda and no statute of limitations on American support for justice."

Following a meeting with the tribunal's chief prosecutor, Ms Louise Arbour, Mrs Albright said she would press Nato allies to bring criminals to justice and would also travel to Croatia, Serbia and Bosnia to insist on the full implementation of the Dayton peace accords, including complete co-operation with the war crimes tribunal. *Reuter, The Hague*

Swiss arms revelations

Switzerland, accused of hoarding the wealth of Jews murdered by Hitler, sold the bulk of its wartime arms exports to Nazi Germany, according to Swiss diplomatic archives published for the first time.

Historian Mr Mauro Cerutti said Germany took nearly two-thirds of Swiss exports of arms and war materiel between 1940 and 1944. It received arms worth SFr600m ($430m) at the time. "These are official figures. They are very precise," he told reporters. "Arms exports ended only at the end of September 1944 following pressure from the Allies."

New material from US archives released yesterday by the World Jewish Congress shows that Switzerland continued to aid Nazi war production as late as October 1944. It sent large quantities of goods such as machine tools, precision instruments and gas motors. The documents undermine the government's assertion that it traded equally with the Nazis and the Allies, and did so to avoid a Nazi invasion. *Norma Cohen, London*

Portuguese banks rapped

Portugal's banks are under fire from stock market authorities for encouraging small savers to invest beyond their means as demand for shares in Electricidade de Portugal, the national power utility, rises to fever pitch.

In a letter to all institutions accepting share orders in the country's biggest privatisation to date, the security markets commission condemns banks for inducing small investors to register for more shares than they intend to buy and seeking a free hand to order shares on their customers' behalf.

The warning comes as demand for the initial public offer of EdP, to be concluded on June 16, soars to record levels and many retail investors, faced with the prospect of receiving only 5-10 shares for every 100 they order, register for many more shares than they expect or can afford to buy. A London-based analyst said the marketing of EdP offering was "over-the-top" and sought to "exploit the unsophisticated nature of retail investors" in Portugal. *Peter Wise, Lisbon*

Pledge by Bewag investor

Southern Energy, a big US electricity utility, yesterday sought to reassure the German public that it would be a long-term investor in Bewag, the Berlin power utility, and exercise considerable management control over its operations.

The Berlin parliament today votes on the proposed DM3.19bn ($1.9bn) acquisition. Under the terms of the deal Southern will hold 25 per cent of Bewag's shares, as will two German industrial groups, Veba and Viag. The rest of the eqnity will be publicly owned. Mr Tom Boran, Southern's president and chief executive, said yesterday that his company was totally committed to the Bewag deal. "We have no intention of selling our shares; we're in it for the long haul." *Simon Holberton, London*

Prince in clash with judge

Liechtenstein faces a potentially serious constitutional crisis following a court decision involving the right of the ruler, Prince Hans-Adam II, to approve the appointment of the country's judges.

Dr Herbert Wille, former president of the administrative court, complained to the European Commission of Human Rights after the prince refused to accept the parliament's proposal that he serve a further term of office.

The row was sparked off by a public lecture by Dr Wills in 1995 in which he expressed the view that the constitutional court was competent to interpret the constitution in case of a disagreement between the prince and the government. The prince, who has more powers than most European monarchs, felt the judge had expressed opinions infringing the constitution.

The human rights commission has accepted that the case should be answered which clears the way for it to be heard – believed to be the first time Liechtenstein has appeared before the commission. The case will focus attention on the long-running debate over the prince's constitutional powers. *William Hall, Zurich*

German trade in surplus

Germany had a trade surplus of DM9.8bn ($5.8bn) in March compared with DM6.2bn in the same month last year, according to provisional figures from the federal statistics office. It added that provisional figures from the Bundesbank showed the current account of the balance of payments was also in surplus – DM2.3bn against DM2bn) in March, 1996. *AFP, Wiesbaden*

Election outcome could hinge on single group

Middle class of Dublin may hold key

They voted for Fine Gael in the snap election of November 1982. In 1989 they backed the right-of-centre Progressive Democrats. In 1992, their support helped the Labour party to a record 33 seats in Ireland's parliament. How the Dublin middle class vote could well decide the general election on June 6.

"They are the most volatile element in this election, and the least concerned with party or historical baggage. Their loyalty is for sale," says Professor Michael Laver, head of the political science department at Trinity College Dublin.

With polls suggesting it will he one of the closest contests in years, the formation of the next Irish government could yet turn on one of the affluent Dublin constituencies.

With just over e week to go, the government parties – the conservative Fine Gael, Labour and the radical Democratic Left – are desperetely trying to inject some direction into what has so far been a lacklustre, if accident-free, campaign.

The hot money is still on a coalition between the populist Fianna Fail party and Ms Mary Harney's PDs. But, with an estimated 16 per ceot of the electorate undecided, a hung Dail (parliament) is a real possibility.

John Murray Brown tracks path through complex Irish voting system

This could leave the Greens and other independents, perhaps eveu Sinn Fein, the Irish Republican Army's political wing, in the role of kingmakers.

Mr Bertie Ahern, the Fianna Fail leader, has managed to set much of the agenda, first trying to prise the coalition apart on tax, then with slightly more success on Northern Ireland.

In reality, there is little to choose between the main parties on both issues. Economic policy is determined both by the Maastricht convergence criteria for entering the European Union's proposed single currency and the government's three-year wege agreement with the unions. As for the North, all the main parties are signed up to the Framework Document agreed with the British which is likely to shepe any eventual settlement.

A poll in yesterday's Irish lodependent newspeper suggested the Fianna Fail-PD alliance had extended its leed over the government.

Independents still attract around 15 per cent support according to latest opinion polls, although most analysts believe that, despite the system of proportional representation, this will not translate into a similar proportion of Dail seats. The government has largely neutralised the two most potent local lobbies – those opposed to water charges and the television deflector groups who operate unlicensed transmissions of British programmes to remote areas in the west of Ireland.

But Irish opinion polls give only a narrow view of voter intentions. The system of single transferable votes make it very difficult to predict the eventual outcome using only first preferences, as pollsters do. Indeed, in the 1992 election, only 20 per cent of Dail seats were determined by voters' first preferences. The rest resulted from the cascade of transfers – if a first choice candidate does not need the support or is eliminated, the vote is then transfered to the second choice candidate, and to the third and so on.

The system was introduced by the British to prevent a repeat of the Sinn Fein landslide of 1918, and to protect minorities, particularly the pro-British Protestants. It certainly helps the representation of the smaller parties, who are assured a seat in a five-seat constituency with just over a sixth of the vote.

Prof Laver says the system also "formalises strategic voting," and with polls so tight it could be the critical factor in this election. He estimates Fianna Fail could pick up six or seven seats without e swing, merely through better management of its own support.

However, persuading supporters to target their first preference votes away from leading candidates and on to lower-ranking ones has its problems. This is particularly pronounced with party leaders, who naturally like to maximise their personal vote and resent the interference of party managers. Of the top 10 poll-toppers in 1992, none helped to elect a running mate. In Fianna Fail's own case it is estimated the party lost 13 seats, including Mr Ahern's own constituency of Dublin Central, by not managing its vote in the 1992 election.

As for transfers across party lines, Fianna Fail has traditionally ettracted very few from other parties and given few. In the 1992 election, there were 18 Dail seats won as a result of transfers across party lines – all at the expense of Fianna Fail.

Aligning itself with the PDs, Fianna Fail has little to lose from its supporters transferring their votes in that direction. Conversely, Ms Harney has been noticeebly reluctant to call on her supporters to give Fianna Fail their transfers. The PDs' worst nightmare is thet Fianna Fail could emerge with an overall majority.

For the government, the key issue will be to maximise transfers between the coalition parties. Fine Gael and Lahour have traditionally had e strong pattern of transfers. However, Fine Gael has suffered the most from the proliferation of Irish parties. And if the election is to turn on the result in Dublin, support for Fine Geel will be critical. The party failed to win more than one seat in any Dublin constituency in 1992, and took only nine seats in all, compared with 22 when Dr Garret FitzGerald was voted in in 1982. It is no coincidence that Ms Harney was last week publicly wooing Fine Geel transfers in the better-off Dublin suburbs.

Academics look to industry

A Swedish university is seeking private cash, writes Greg McIvor

Swedish universities, like many of their European counterparts, have long been ambivalent aboot soliciting funds from industry. Higher edocation budgets are traditiooally seen as the state's preserve; accepting money from companies is viewed as a potential threat to academic eotonomy. This may be changing.

In the first move of its kind in Scandinavia – and one of the first in continental Europe – a leading Swedish technology university yesterday launched a SKr300m ($40m) private sector funding offensive.

Drawing on the experience of Britain, where sponsorship of universities by business took off in the 1980s, Chalmers University in Gothenburg is striving to forge closer ties with industry. Amid growing international competition among European universities, it sees stronger links as essential to meet its aspiration of becoming ooe of Europe's top ten technology colleges.

Two thirds of the target sum has already been pledged by a number of individuals and corporations. These include the Volvo motor group, the telecommunications company Ericssoo, SKF, which makes bearings, and ABB, the Swedish-Swiss eogineering company.

The companies have signed multi-year contracts with Chalmers committing them to substantial funding, a mechanism both sides believe will promote long-term co-operation.

For Chalmers, the money will allow it to improve and wideo research. In return, the establishment of joint steering groops has giveo indostry enhanced infineuce over the programmes it sponsors.

"Attitudes are changing," says Mr Anders Sjöberg, Chalmers's rector. "There has been a division of responsibility between universities and industry. Both sides are now discovering that the best wey forward is to collaborate, maybe even on a contractual basis."

Chalmers curreotly receives little more than 10 per cent of its funding for research and doctorate studies from the government. Mr Sjöberg's ambition is to boost private industry's share to 20 per ceot.

"In a more competitive world you need to sharpeo your edge, and the resources universities get ceotrally are not eoough," says Mr Lars Malmer, SKF senior vice-president. He believes there is a growiog understanding of the importance of building bridges with industry.

Until oow, private sector sponsorship of Europe's universities has been largely confined to the UK. There, a squeeze on central fundiog during the 1980s persuaded many universities to adopt the US example, where colleges receive substantial funding from, and co-operate closely with, big companies. The UK system has grown to such an extent that noo-government sources now account for more than half of some universities' funding.

But where the catalyst behind the UK move was government spending cuts, Chalmers has no complaint at the size of its state grant. Its motive is a loog-term strategic advantage in building up alternative funding sources and cemeoting links with industry.

According to Mr Joho Kelly, managing director of Brakely Eorope, a UK-based fundraising consultancy advising Chalmers, several European universities are preparing campaigns.

"In some cases the trend is being driven by a sheer need for money, io others by a motual recognition of e need for closer relationships between companies and universities," he says. Existiog co-operation is ad hoc and limited to individual programmes generally focused on the participating company's specific ioterests. Umbrelle funding, aimed at creating broader links betweeo the two sides, remains ununusual.

Mr Kelly says universities in the Netherlands, Italy, Switzerland, Finland, Norwey and the Czech Republic hevc voiced interest. Half a dozeo Swedish universities are also exploring the idea.

Nevertheless, the spectre of an increased role for companies in the way universities mould their curriculums is greeted with mixed feelings in some quarters. In Sweden, the education ministry is amoog those with reservations about creating too cosy a relationship with business.

In particular, there is concern that the links could ondermine academic independence. "There is e perceptioo that money from the government is purer," says ooe officiel cooοected with the Chalmers fundraising effort.

Venezuela cabinet faces probe over misuse of funds

By Raymond Colitt in Caracas

The entire Venezuelan cabinet is to be investigated following allegations of misallocated funds being used to cover a gaping budget deficit.

The controller general, Mr Eduardo Rocher Lander, in an unprecedented move this week, ordered the probe, which concerns the funding used to cover a recent pnblic sector pay increase.

"The decision was taken by the council of ministers and therefore we will investigate all of them," said Mr Rocher.

The investigation was fuelled by a statement from Mr Carmelo Lauría, head of the House finance committee, which said increased pay obligations and a parallel reform of the country's costly severance pay system had caused a budget deficit of Bs1,200bn ($2.5bn) and that ministries and regional and local governments would have to shut down by September.

During a congressional hearing last week Mr Luis Raúl Matos Azócar, the finance minister, admitted that pay increases and labour reforms had forced the government to increase its total expenditures from Bs7,800bn to Bs10,200bn for this year. Yet he gave assurances that unbudgeted income from 1996 and 1997, including windfall oil revenue and income from privatisation, as well as a loan from the Andean Development Corporation (CAF), would cover additional spending.

"I wouldn't say we have an easy financial situation but we are making efforts to comply with [the severance pay] agreement that came about under extreme political pressure," he said.

Mr Matos implied that the recent fault finding of public finances was due to Mr Lauría's ambitions as a possible candidate in next year's presidential elections.

Yet Mr Lauría's concern about lax fiscal spending and shoddy budget arrangements have been echoed by others. Mr Pedro Carmona, the head of the country's principal chamber of industry, told the leading daily El Universal: "There is a notable weakening of fiscal discipline, the state is taking on obligations beyond its abilities."

Critics say the finance ministry's target of reaching a balanced budget relies on optimistic spending cuts as well as lower-than-estimated public labour costs.

Mr Teodoro Petkoff, planning minister, said one government option to finance the budget deficit was to increase the price of petrol, currently subsidised at an average Bs55 (11 US cents). Yet trade union leaders said they would respond to a petrol price increase with a national strike.

Watchdog eyes new electronic trading era

Reaction to the SEC's proposed three-tier system for regulating equity sales has been muted

By Tracy Corrigan in New York

The US Securities and Exchange Commission has been tackling a tricky issue for the past year: how to regulate a domestic securities market when technology has removed many of the physical limits which once contained stock exchanges and national markets.

"It's no aecret that advances in technology have changed our securities markets," said Mr Arthur Levitt, the SEC chairman, in Washington last week. "Where once stocks were bought and sold exclusively on the exchange floor, today at least as much volume trades at lightning speed on screen-based markets."

The commission's efforts led last week to proposals for a regulatory system which differentiates between different types of exchanges and trading systems, allowing newer and smaller systems to operate under a less onerous burden. The commission is seeking puhlic comment on the plan hy the end of August.

"It's a matter of trying to determine what the appropriate level of regulation is," says Mr Richard Lindsey, the SEC's director of market regulation. In principle, he sees three tiers: traditional exchanges with their traditional structures, such as the New York Stock Exchange; then established alternative trading systems, such as Reuters' Instinet; then a new category of so-called exempt exchanges, made up of smaller alternative trading systems.

The significance of the changes proposed lies largely in the treatment of alternative trading systems. These systems are currently regulated as broker-dealers, since they are intermediaries betwean the exchange and the investor.

According to Mr Lindsey, such "entities may be trading 20 per cent of the entire trading volume in the US". But that trading may be concentrated among professional investors because of the way the systems are operated. And the fact that the trading is on computer screens changes the regulatory requirements. "Yon can always manipulate stock, hnt [with computer-based systems] you have a very clearly defined audit trail; and there is less human interaction," Mr Lindsey said.

Officials at the New York Stock Exchange and Nasdaq, the two largest US stock markats, declined to comment, but said they would prepare detailed responses. They may worry that the less onerous regime governing alternative systems will enable those systems to compete more effectively on price. Instinet also declined to comment.

Mr Lindsey splits the alternative trading systems into two categories.

First are those which trade a substantial amount of stocks and have a price discovery mechanism.

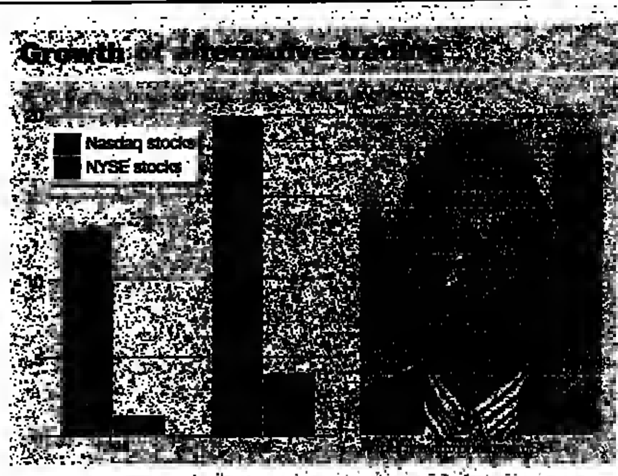
This section would probably include systems such as Instinet and Island, a trading system run by Smith Wall Associates which conducts about 6 per cent of trading volume in Nasdaq stocks.

The second group of smaller systems, which do not set their own prices, would face less regulation.

For the latter group, "the impact on the market is very minor, so yon don't want to stifle innovation" by imposing draconian regulatory standards, Mr Lindsay believes. While the parameters have yet to be defined, the plan is elearly aimed at fostering the growth of trading on the Internet, still at a very early stage.

The development of Internet trading could also be a significant development for foreign stock exchanges. Under the current regulatory approach, a foreign stock exchange has to be registered in the US to have a terminal in the US. None has so far. But the SEC proposes to re-assess current requirements. And while most stock exchanges only give direct access to member firms, the development of Intarnet trading raises the possibility of direct trading by some foreign investors.

"It's a hot item and we are looking at how we should react to those possibilities, and how we can change," said Mr Thom Hoedemakers, of the Amsterdam stock exchange, one of the pioneers of electronic trading.



AMERICAN NEWS DIGEST

FDA escapes radical reform

Congressional Republicans confirmed yesterday that they had backed away from radical reform of the US Food and Drug Administration (FDA), when a prominent Republican senator published a bill which would involve only limited reforms to the powerful regulatory agency.

The bill, sponsored by Senator James Jeffords, chairman of the Senate Committee on Labor and Human Resources, would provide for speedier approval of "humanitarian devices" for terminal or seriously ill patients. It also requires the FDA to draw up a plan for speeding up other approvals, but does not include punitive measures for failing to meet timetables.

Republican proposals put forward last year calling for the widespread privatisation of the drug approval process have been scaled back in the bill. But if passed into law, it would give the FDA authority to sub-contract all or part of the approval procedure to outside experts.

The bill makes no detailed proposals on whether drugs approved overseas should be automatically approved for the American market. *Patti Waldmeir, Washington*

US durable orders up 1.4%

Strong demand for new transportation equipment helped drive orders for costly manufactured goods up in April, the US Commerce Department said yesterday. Tha total value of new orders for durable goods rose 1.4 per cent to a seasonally adjusted $175.56bn – a third increase in the past four months – following a revised 2.2 per cent drop in March.

Last month's increase was slightly stronger than economists' forecasts of s 1.3 per cent rise, primarily because transportation goods were stronger than anticipated.

Many analysts had predicted that strikes against General Motors would weaken car and truck production and that bad weather would hurt deliveries. But the department said all tha transportation industries except those making railroad equipment received stronger orders in April. Orders for durable goods, items such as cars and home appliances that are intended to last at least three years, can indicate the future strength of the manufacturing sector, which in turn weighs heavily on the overall economy.

Transportation equipment orders rose 4.5 per cent to $39.36bn in April after drops of 3.9 per cent in March and 7.2 per cent in February. Transportation accounts for more than one-fifth of the value of total durable goods orders. Excluding transportation, durables orders increased in April only by 0.5 per cent following a 1.7 per cent decline in March. *Reuter, Washington*

FTC brands Joe Camel unfair

The US Federal Trade Commission yesterday charged the tobacco company R.J. Reynolds with unfair advertising practices, alleging that its Joe Camel campaign targets children.

The accusation against the second-largest US cigarette maker comes after investigators uncovered new information that was not available when the FTC initially exonerated Joe Camel three years ago.

It was unclear yesterday whether the FTC would issue an immediate cease-and-desist order or wait until RJR argues its case before an administrative judge.

RJR has continually defended Joe Camel, the cartoon character in dark sunglasses who lounges on billboards and in magazine adverts. The new information came from the Food and Drug Administration which passed on government statistics showing that the Camel brand's share of the youth market jumped substantially after the popular advert campaign began.

The documents also included an RJR survey showing that 86 per cent of children aged 10 to 17 recognise Joe Camel and 95 per cent of those children know the character is selling cigarettes. *AP, Washington*

Top Colombian minister quits

Mr Horacio Serpa, Colombia's interior minister and the strongman of President Ernesto Samper's administration, has resigned to prepare his bid for the presidency. In accepting Mr Serpa's public letter of resignation, the president wished his right-hand man "every success in your new activities".

The move comes less than a week before the May 31 deadline by which prospective candidates must step down from public office if they wish to run in the May 1998 elections to choose Mr Samper's successor.

Mr Serpa, 53, has been at the helm of the interior ministry since Mr Samper took office in August 1994. An able politician and fiery public speaker, he earned himself a reputation as the president's staunchest ally, defending him against accusations he financed his 1994 election campaign with drug money from the infamous Cali cartel.

Mr Samper was cleared of wrongdoing in a congressional inquiry last year but Mr Serpa, one of the presidential election campaign organisers, is still under investigation on suspicion of knowingly accepting illicit donations. *Reuter, Bogota*

Doubts on Burma entry into Asean

By James Kynge in Kuala Lumpur and Ted Bardacke in Bangkok

Burma's admission into south-east Asia's most powerful political and economic grouping is likely to be delayed because internal and external pressures have combined to thwart a consensus, officials said yesterday.

Leaders of the Association of South-East Asian Nations (Asean) had indicated they had reached an understanding in admit Burma, along with Cambodia and Laos, at the group's 30th anniversary meeting in Kuala Lumpur in July. Senior officials in Asean countries have repeatedly made it clear that objections by the US and EU over Burma's human rights record would have no influence on when Rangoon was inducted.

But only two days before a key meeting in Kuala Lumpur which had been due to prepare for the three countries' entry, Asean's seven member nations have been unable to reach a consensus, officials in several Asean countries said. If the three do not gain membership at the Asean ministerial meeting on July 24-25, the next opportunity for entry would be an informal summit scheduled for December this year.

Reflecting the recent shift within the organisation, Mr Anwar Ibrahim, Malaysia's acting prime minister, yesterday retreated from a statement made in April by Dr Mahathir Mohamad, the prime minister, that the three countries should enter the organisation in July.

"Our decision has been rather consistent, that their admission should at the latest be by the [December] summit," he declared.

Expansion of Asean's membership to 10 is seen as an historic event in the region, particularly for the economic opportunities that Burma's admission would bring. But on the political front, the benefits of expansion are less clear; while 10 members would amplify the group's voice on the world stage, its new diversity could work to frustrate a unified stance on some issues.

Observers said that while Malaysia and Indonesia had pushed for Burma's early admission; others had focused more on the diplomatic cost of a move which would annoy the US and EU.

The US recently asked Asean to delay Burma's entry because of its human rights record and the suppression of a democracy movement. EU diplomats have said entry could cloud the growing Asean-EU contacts on trade and security matters.

In Cambodia, a feud between the leaders of the country's coalition government has raised doubts about whether Phnom Penh could pass the necessary legislation in time for the July ministerial meeting and whether the country was stable enough to honour its Asean commitments.

The treatment of Moslems in Burma may have also provided pause for thought. An influential Moslem group, the Moslem Youth Movement of Malaysia, has protested to Malaysia's foreign ministry over the destruction of mosques in Burma.

Low marks for Sydney 'green Games'

By Nikki Tait in Sydney

Sydney's efforts to stage an environmentally friendly Olympics in 2000 were severely criticised yesterday by an official watchdog. In its first "report card", the Green Games Watch 2000 said that pollution issues were a "major weakness" in the planning so far, and that waste, water and air quality were also emerging as "problem areas".

GGW2000 was set up to audit environmental progress after the games were awarded to Sydney three years ago. Environmental planning was a big factor in Sydney's bid – winning it the "green games" tag and encouraging officials from Greenpeace, the international environmental agency, to support the city's application. It was the first time that comprehensive environmental proposals had formed part of a city's Olympics pitch.

While the watchdog was complimentary about attention paid to energy conservation, Ms Peggy James, GGW2000's co-ordinator, rated the overall performance to date at "five out of ten".

While it was too late to make adjustments to some projects, GGW2000 believed, "It's not too late for the majority. I think the New South Wales state government is trying, but they've left a lot to the private sector," she said.

After Sydney was chosen, detailed guidelines were drawn up for project tenderers – with requirements ranging from avoidance of chlorine-based materials, such as PVC, to the manufacture of promotional clothing from natural fibres and maximum use of renewable energy sources.

Yesterday, GGW2000's first report found a high level of compliances in relation to about 28 per cent of 69 environmental guidelines, and moderate compliance for 34 per cent more.

But there was low compliance for 28 per cent, and incidents of non-compliance for about 16 per cent.

It also listed a number of specific proposals – ranging from more attention on water conservation to a rethink of the underpasses designed to protect threatened frogs at the main Homebush Bay site. GGW2000 claims that some of these currently funnel the frogs into a car-park.

Mr Michael Knight, Olympics minister in the New South Wales government, said be believed the games were meeting all the necessary guidelines and disputed some of the assessments. Meanwhile, Mr David Richmond, director-general at the Olympics Co-ordination Authority, which oversees construction of the facilities, described the rating as "quite pleasing", given it had come from "our sternest, our toughest critics".

Indonesia poll: to win is just not enough

Vote is about legitimacy, writes Manuela Saragosa

Indonesia's ruling party will win the country's parliamentary election today. But winning is not what the poll is about.

In a country where elections and their participants are closely controlled by the government, the campaign and the ballot measure other things.

Above all, this election has been about legitimacy, so much so that if President Suharto's Golkar party does not win the 70 per cent of the vote it long ago predicted, the result will be viewed as a humiliation.

"Suharto places a strong emphasis on having a clear mandate," says Mr Juwono Sudarsono, vice governor of the National Resilience Institute, the ministry of defence's think-tank. "It's an exercise in establishing legitimacy."

The issue of Mr Suharto's legitimacy has become even more pertinent amid increasing speculation that he is considering who he would like to succeed him if he does not stand in the more important presidential election next year.

His eldest daughter, Ms Siti Hardiyanti Rukmana, who is also one of Golkar's leaders, is widely seen as positioning herself as a potential successor to her 75-year-old father.

Ms Rukmana has been actively campaigning in key voting areas in east Java and has tried to boost her image by enlisting the support of the country's popular Moslem leader, Mr Abdurrahman Wahid.

"You can see the campaign as a kind of performance for the benefit of the scrutinising eyes of Suharto," said one analyst. "Ms Rukmana is trying to prove [to her father] that she is capable of handling the people."

All of which means that the violence that has marred the campaign – the worst ever in an Indonesian election – has been deeply worrying to the authorities.

Not least because it is, in the view of many observers, to do with precisely the question of legitimacy – in this case the legitimacy of the election itself.

Rukmana: campaigning in east Java

While riots are a familiar feature of election campaigns in secular Indonesia, this time rioters have targeted government institutions rather than the businesses of the widely resented, economically successful ethnic Chinese minority, reinforcing the view that frustration with President Suharto's rule has reached new heights.

To demonstrate the people's support, the government needs a high turnout. Some 80 per cent of the electorate participated in previous polls, allowing the authorities to reinforce their contention that although the country's political system is tightly regulated, it is widely supported.

The chances of an unprecedented number of abstentions has increased after Ms Megawati Sukarnoputri, the popular ousted leader of the minority Indonesian Democratic party (PDI), announced that she would not vote in protest at what she described as a "legally defective" election.

President Suharto has always ensured that there is little possibility of a clear challenge to Golkar on election day by having the authorities vet all the candidates; when Ms Megawati emerged as a challenge to the government last year, the military backed her removal as leader of the PDI, replaced her with a government-backed candidate, and barred her from running in the elections. But Ms Megawati's decision not to vote has set an example which many disaffected Indonesians may choose to follow.

As a result, many political observers expect that the authorities will manipulate the results in Golkar's favour.

But after the recent displays of anti-government sentiment, any juggling of the votes would have to be carefully weighed against maintaining at least a semblance of a credible count.

The campaign has seen the Moslem-oriented United Development party (PPP), one of the two minority parties permitted by the government to take part, unexpectedly emerging as a clear "protest" vote, fed by supporters of Ms Megawati who refuse to vote for a "sanitised" PDI.

There are indications that within the military, which plays a powerful role in the country's politics, there are divisions about what percentage of the vote would amount to a successful victory. Some contend that the 70 per cent target is simply the result of jockeying among Golkar's leadership to win favour with President Suharto.

"There are a lot of personal interests at stake here," explains Mr Sudarsono. "Among the military there are those who believe that 60 to 65 per cent of the vote would be better as long as the electorate accepts the results."

Taiwan curbs investors in China

By Bruce Cheesman in Taipei

Taiwan yesterday confirmed tough new regulations banning investment of more than US$50m in China, saying violators would incur fines of up to US$650,000 and a maximum jail term of five years.

The new restrictions, widely forecast, will go into force on July 1, says the economics ministry, and will ban investment in big infrastructure projects such as power stations, steel works, railways, highways, airports and harbours.

But the restrictions are likely to confuse businesses, as there are many exemptions.

Government officials say that the curbs will be impossible to enforce.

More than 30,000 Taiwanese companies have invested more than US$30bn in China, making the island the second biggest investor in mainland China after Hong Kong.

Top conglomerates, which protested after an investment ban was broached by President Lee Teng-hui ostensibly to ease Taipei's growing dependence on mainland China, are expected to continue to avoid the new laws by using their overseas subsidiaries to finance operations in the mainland.

Formosa Plastics Group, Taiwan's leading private conglomerate, has already done this.

Conglomerates have attacked the laws as restricting their competitiveness when it is increasingly unattractive to invest in Taiwan because of mounting labour costs, a shortage of land for industry and a growing green movement.

Critics put boot into Japan plan for football pools

By Gwen Robinson in Tokyo

Four years after professional soccer was launched in Japan, sports fans and gamblers seem set to gain their first "pools"-style soccer lottery, but not before opposition groups have their say.

Demonstrators in front of Japan's parliament yesterday criticised the passage through the lower house on Tuesday of a hotly debated bill to launch a soccer lottery based on match results of the J-League, Japan's professional soccer league.

The bill is expected to get final endorsement from the upper house next week. But already activists, including the country's top association of lawyers and the National Federation of Regional Women's Organisations, have warned such a lottery will encourage juvenile delinquency.

"Many J-League fans are children. The soccer lottery is an evil that tramples on children's dreams," said Mr Yukiyo Abe, a communist MP. Mr Abe's party boycotted the lower house vote. So, too, did Mr Ryutaro Hashimoto, the prime minister; several prominent opposition members were conspicuously absent.

Their sensitivity is undoubtedly due to charges that a UK or Italian-style soccer lottery will exploit childrens' interest in soccer and tempt them to gamble.

Unlike existing forms of gambling in Japan such as horse-racing, which has an avid following among adults, fans of professional soccer are mainly young. J-League was launched in a blaze of hype in 1993, and quickly caught on. Research showed most young fans were overwhelmingly ignorant of the game and rules of soccer.

That did not stop them buying more than Y3.6bn ($31m) worth of officially licensed J-League souvenirs and replica uniforms in the first year and flocking to J-League cafés. Japanese soccer stars became sex symbols, mobbed by screaming teenage girls.

But soccer frenzy has lost momentum in the past year. Merchandising, which accounted for the biggest proportion of J-League revenues, has plunged from Y3.6bn and is expected to bring in just Y753m ($6.4m) this year.

Attendance at matches has dropped, too. While J-League's lucrative sponsorship is still as strong as ever, with expectations of Y4.4bn in sponsorship this year (Y4.7bn last year), government and sports circles harbour serious concerns. These stem mainly from Japan's forthcoming role as co-host, with South Korea, of the 2002 World Cup, the first time the top tournament will be held in Asia.

The bill stipulates that people under 19 will not be eligible to buy tickets. Supporters of the bill, sponsored by all main political parties except the communists, have argued that young people would benefit from at least half the proceeds of the lottery, which will go toward promoting sports.

The other half will go to government coffers. Tickets would be sold in units of Y100 (86 US cents), with winnings pegged to the percentage of correct guesses on the results of J-League matches.

Returns are expected to amount to at least Y100m from each round of the lottery. But in a nation that shows a taste for gambling, the financial rewards could be far greater than expected.

ASIA-PACIFIC NEWS DIGEST

New contender to lead Congress

India's ailing Congress party was braced for its toughest battle in decades yesterday after Mr Sharad Pawar, 57, an influential former minister, declared he would run against Mr Sitaram Kesri, the incumbent leader, in next month's party presidential race. Mr Pawar's candidature is seen as a blow to Mr Kesri, 78, who had been seeking consensus behind his re-election.

This follows internal discontent over Mr Kesri's decision in March to withdraw Congress support from the minority United Front (UF) government, precipitating a three-week political crisis. Mr Pawar joins Mr Rajesh Pilot and Mr A.R. Antulay, both former ministers and outspoken critics of Mr Kesri, in what will be the Congress party's first contested presidential election since 1977.

Mr Pawar the party parliamentary leader, is seen as Mr Kesri's strongest opponent. The new president will be elected on June 9. Closing of nominations allays speculation that Ms Sonia Gandhi, Rajiv's Italian-born widow, is interested in challenging for the party leadership.

Mark Nicholson, New Delhi

Acting PM in reshuffle

Mr Anwar Ibrahim, Malaysia's acting prime minister while Dr Mahathir Mohamad is on leave, performed his first significant official act yesterday, announcing a minor cabinet reshuffle. Mr Megat Junid Ayub, the deputy home minister, is appointed minister for domestic trade and consumer affairs, replacing Mr Abu Hassan Omar, who was recently named chief minister of Selangor state near Kuala Lumpur. Other personnel changes were also made.

Dr Mahathir, 71, last week began an unprecedented two-month holiday mixed with some official engagements in Europe and the Americas. Some believe he may be paving the way for Mr Anwar, 50, to take over some day. Announcing the Malaysian cabinet reshuffle shows that Mr Anwar has assumed a full range of duties, observers said.

James Kynge, Kuala Lumpur

Rift at China-UK talks

Britain and China yesterday opened their final round of diplomatic talks ahead of the transfer of Hong Kong's sovereignty to China, divided over the role of their joint negotiating body after the handover on July 1.

Mr Zhao Jihua, China's chief negotiator at the Joint Liaison Group (JLG), said it would simply act as a liaison body. Britain should focus less on the post-handover period and more on resolving outstanding problems. But Mr Hugh Davies, leader of the British delegation, signalled a more substantial role for the JLG in discussing implementation of the Joint Declaration, the Sino-British treaty which underpins the handover.

The rift over the JLG reflects a broader division between the two sides. China has insisted that Hong Kong is an internal matter and has rejected international involvement in the transfer of sovereignty.

Britain, however, has pledged to monitor commitments made by China and to retain an active interest in the territory.

John Ridding, Hong Kong

Vietnam trade deficit narrows

Vietnam's trade deficit narrowed in the first five months of this compared with the same period last year, according to official statistics. However, economists said they suspected recent arbitrary import bans were largely responsible and Hanoi still needed to take measures to encourage value-added exports of manufactured goods.

The General Statistics Office said exports for May were seen reaching $720m against imports of $950m. Exports in the first five months were put at $3.36bn, with imports valued at $4.49bn, resulting in a trade deficit so far this year of almost $1.14bn.

Export growth was seen in commodities such as rice, crude oil, tea and coffee, which form the bulk of Vietnam's exports. The trade gap continues to cause concern, casting doubt over Vietnam's foreign exchange position and its ability to increase hard currency inflows, economists say. Foreign exchange reserves, though rising slowly, are still only about $1.7bn. Last month, Hanoi restricted imports of cement, glass and certain types of steel in a bid to ease the deficit.

Jeremy Grant, Hanoi

EU and US agree plan to cut red tape

By Lionel Barber in The Hague and Guy de Jonquières in London

The US and the European Union yesterday reached outline agreement on a plan to cut red tape on products accounting for more than $40bn a year of transatlantic trads.

The plan, which the two sides hope to complete by next month, would provide for mutual recognition of inspection, testing and certification of information technology and telecommunications equipment, pharmaceuticals production, medical devices and leisure craft.

Although the deal must still be approved by the 15 EU governments and US regulatory agencies, it provided a gloss to the 50th anniversary celebrations of the Marshall Plan, which were the centrepiece of yesterday's bi-annual EU-US summit in The Hague.

President Bill Clinton of the US and President Jacques Santer of the European Commission praised the draft agreement. It is considered vital to maintaining the Transatlantic Business Dialogue, which the two sides launched 18 months ago in an effort to strengthen relations by boosting trade.

One of the toughest obstacles in the negotiations concerned the extent to which the US Food and Drug Administration could legally devolve anthority for testing and inspection to European pharmaceuticals industry regulators.

Mrs Charlene Barshefsky, US trade representative, said the EU had accepted thet the FDA was an independent agency "which cannot be over-ridden or over-ruled". The compromise was to set up a joint curriculum for training European and American inspectors on standards and certification, sbe said.

EU officials said the deal met another of their concerns, that state and local – as well as federal – authorities be bound by mutual recognition principlea. They said the draft agreement explicitly covered the entire US market, and could be terminated at any time if either side failed to fulfil its commitments.

The officials said compromises had been worked out on other differences, including the range of products to be covered in each sector and how mncb information each side would divulge about inspections of factories in each others' markets.

"We are about 90 per cent of the way to a final agreement," said an EU official.

Mr Stuart Eizenstat, US undersecretary of commerce for international trade, was more upbeat: "This is the first down-payment on plans to create a new transatlantic market place."

The US and EU leaders signed separate agreements yesterday to ease trade by simplifying customs procedures, and to combat drug trafficking by imposing controls on trade in chemical components of synthetic drugs such as ecstasy.

The two sides also agreed to add biotechnology, electronic commerce and intellectual property to a list of areas where there is potential for further dismantling of non-tariff barriers.

President Clinton avoided raising formally the contentious investigation by European Commission competition watchdogs of the proposed merger between US aircraft makers Boeing and McDonnell Douglas.

But Mrs Barshefsky said the US was insisting the Commission conduct its investigation purely on competition grounds, without recourse to extraneous political considerations.

This was a reference to US fears Brussels may be influenced by a desire to protect Airbus Industrie.

WORLD TRADE NEWS DIGEST

Canada-US fish row grows

The premier of British Columbia has called for tougher measures against the US in an increasingly acrimonious dispute over salmon fishing rights.

Canada's foreign minister, Mr Lloyd Axworthy, said yesterday he regretted the US move to pull out of talks on the Pacific Salmon Treaty late on Tuesday night. But he said Canada had acted within its rights under international law by seizing four US vessels off the coast of Vancouver Island.

Mr Glen Clark, British Columbia premier, yesterday called for stiff transit fees on US vessels sailing through Canadian waters to salmon fishing grounds off Alaska. Similar fees were briefly imposed in 1994.

"It's my view that given the State Department's reaction, given the fact that the season is so close, that Canada has to increase the pressure, and British Columbia will do what we can to do so as well," Mr Clark said.

In Washington the breakdown of the talks is being attributed to the elections. Last week Canadian officials walked out of negotiations, complaining that US officials had not been authorised to finalise a deal, but the two sides had agreed to restart the talks.

Nancy Dunne, Washington, and Bernard Simon, Toronto

Vehicle plants for Brazil

Honda, Japanese vehicle maker, plans to build a new motorcycle plant in Brazil's Goais state, with a total start-up cost of $300m, according to Brazil's industry and commerce minister, Mr Francisco Dornelles.

Mr Dornelles said Honda, which will benefit from special fiscal incentives for setting up in Brazil's centre-west region, intends to reach annual production of 150,000 cycles a year within five years.

He said construction would begin in 1998 and that installation costs were $70m, while other expenses associated with the start-up reach $230m.

"It is calculated that this will generate 1,000 jobs," he said.

● Skoda, Czech truck maker, plans to build two plants costing $150m each in Brazil, said the Ministry of Industry and Commerce.

She said that Skoda's vice-president, Mr Wladimir Knezek, had told Mr Dornelles that one plant would be in the southern state of Santa Catarina, producing 5,000 units a year within three years.

The other plant will be built in the northeastern state of Bahia and would build specialised trucks for the mining industry.

Reuter, Brasilia

Iran oil in Baku deal

Iran's Oil Industries Engineering Company has signed a deal in Baku acquiring 10 per cent of an international oil consortium that will tap crude oil in Azerbaijan's sector of tha Caspian Sea.

The official Iranian news agency Irna reported yesterday that the deal was for the development of Len-Koran and Talysh-Deniz fields.

According to the managing director of OIEC, Mr Ali Akbar Hashemi, the agreement paves the way for the expansion of the company's activities in Azerbaijan.

Irna put the cost of the project at $1.5bn-$2bn. The 30-year project south of the Azeri capital involves fields containing up to 140m tonnes of recoverable oil. Peak output would reach 25m tonnes a year.

Reuter, Tehran

Zeneca irked as contract with Iraq is blocked

By Jimmy Burns

A leading Britisb pharmaceuticsl company has become the focus of a diplomatic row over trade with Iraq at the United Nations.

The company, Zeneca, said yesterday it was trying to obtain an official explanation why a $2.9m contract to supply pesticides to Iraq, which had the approval of tbe UK's Department of Trade and Industry, had been blocked by the UN sanctions committee.

The UN is empowered to veto supplies to Iraq it suspects could be used in chemical or other weaponry. But a senior UK official at the UN insisted last night that the issue of "dual use" had not been raised within the sanctions committee. Zeneca said: "These are public heath products we are absolutely confident cannot be used for dnal use." The company identified the products as anti-malaria pesticides and rat poison.

The Iraqi foreign minister, Mr Mohammad Saeed al-Sabaf, has written a protest note to the UN secretary general, Mr Kofi Annan, identifying the Zeneca contract as one of more than 40 "medical contracts" that have been put on hold by the sanctions committee st the insistence of the US government.

Specifically citing the contract with the UK company, Mr al-Sahaf said Iraq was "in desperate need of such material as malaria is spreading quickly in Iraq particularly in its northern provinces."

A senior UN official said last night the contracts had been held up because of US concern that the procedures covering supplies to Iraq under the oil-for-humanitarian supplies deal had become too lax.

In recent weeks there has been concern within tha sanctions committee tbat Iraq was signing contracts for products not mentioned in an original distribution plan submitted to the UN last year. In other cases Iraq has snbstantially increased the volume of items included in the plan.

Although economic sanctions against Iraq remain in place, the UN last December gave clearance for the country to sell $2bn of oil over six months to pay for a range of goods classified as "humanitarian".

EMI eyes Asian market with Vietnam tie-up

By Alice Rawsthorn in London and Jeremy Grant in Hanoi

EMI, the UK company which is one of the world's largest music groups, plans to diversify into Vietnam as part of its strategy of strengthening its presence in the fast growing Asian market.

Sir Colin Southgate, chairman, said the group, which includes George Michael, the Beatles, Radiohead and the Spice Girls among its artists, was "in talks" with local partners to distribute its recordings in Vietnam.

One of EMI's arch rivals, PolyGram of the Netherlands, is also preparing to expand into Vietnam. Earlier this spring it applied to the Vietnamese government for permission to form joint ventures with Saigon Audio and General Culture, both state-controlled record companies.

These ventures would manufacture compact discs and cassettes of recordings by PolyGram's international artists – who include U2, Hanson, Bon Jovi and the Bee Gees – for distribution in Vietnam.

Both EMI and PolyGram will begin by distribnting international repertoire in Vietnam, but hope to sign local artists, whose music could be sold elsewhere In Asia.

PolyGram has already nurtured several Asian stars, notably Jacky Cheung, the Hong Kong singer who has now become one of the best-selling artists in the region.

Jimmy Cheung: regional best-seller

The global music market is so fragmented that it is becoming harder for record companies to nurture stars with worldwida appeal, but the number of regional local stars is increasing.

Sir Colin said such artists were "increasingly important" for companies such as EMI, particularly in tbe developing markets of Asia and Latin America.

At present, the Vietnamese music market is small, and dominated by pirated products, smuggled from China or made locally. Legitimate sales are gradually increasing, and consumers switching from cassettes to compact discs, which are more profitable for record companies and less prone to piracy.

Last month, Vietnam and the US signed an agreement on intellectual property rights aimed at protecting a range of products, including recorded music.

Foreign companies are concerned about Vietnam's commitment to enforcing the deal, which the communist-run country agreed to only after Washington threatened to apply sanctions.

Multinational music groups, such as EMI and PolyGram, adopt a long-term approach to developing markets such as Vietnam. They invest in fledgling markets, expecting to lose money for several years while the economy improves and they exert political pressure to crack down on piracy.

This strategy has paid off in other Asian countries. Music sales in Asia (excluding Japan) rose from $5.1bn in 1991 to $9.02bn last year, according to the International Federation of the Phonographic Industry.

Bank optimism on African economy

By Antony Goldman in Abidjan

Africa's economy is performing better now than it has done for many years, political leaders and officials said yesterday at the opening of the annual meeting of the African Development Bank (ADB) group in Abidjan, the commercial centre of Ivory Coast.

Tbe ADB, which was established in 1964, has as its sbarebolders 53 African countries and 24 partners from outside the continent. In his opening address, Mr Omar Kabbaj, tbe bank's chairman, said that reforms made over the past 12 months would make an institution traditionally weakened by internal wrangling better capable of promoting growth and prosperity.

"Tbere are grounds for hope and reasonable optimism," Mr Kabbaj declared. "Our continent, after a difficult period, is poised to be s new emerging region that will provide growth opportunities worthy of its abundant buman and natural resources potential."

ADB documents estimate the continent's real gross domestic product growth for 1996 was nearly 5 per cent, exceeding the population increase for the second year. Inflation has dropped from 42 per cent in 1994 to 27 per cent last year, and is forecast to fall to 12 per cent this year.

While agriculture and mineral extraction remain the mainstays of the continent's economy, tha bank says prospects for manufacturing and industry are increasingly encouraging.

Officials acknowledge, however, that an external debt of $320bn, witb most countries experiencing debt service ratios of more than 25 per cent of export earnings, inhibits growth. The ADB said it would continue to support international efforts to tackle the problem of Africa's 33 highly indebted poor countries.

The ADB's role in facilitating further improvements is set to remain an issue of controversy. The bank's management is seeking s 50 per cent increase in current capital of $23.9bn to allow it greater flexibility, particularly to support the emerging private sector.

At present, barely s dozen members are eligible for formal bank loans. However, Nigeria, tbe ADB's single largest shareholder with 10 per cent, argues that non-African members, whicb presently bold a ooe-third stake, and which would be expected to snpply additional resources, should not be allowed a greater say in the running of the group.

"We believe the ADB is an African institution," said Mr Anthony Ani, the Nigerian finance minister, "and it should retain its Africanness."

Tshisekedi challenge to new Congo regime fails

By Michela Wrong and Agencies

Mr Etienne Tshisekedi, the opposition leader, failed yesterday in his challenge to the new regime in the Democratic Republic of Congo – formerly Zaire – when less than 1,000 supporters turned out for a march protesting at his exclusion from the country's new government.

Instead of shaking tbe bold of the Alliance of Democratic Forces for the Liberation of Congo (AFDL), which took over Kinshasa after ousting President Mobutn Sese Seko, tbe demonstration merely underscored Mr Tshisekedi's faltering public support.

Eyewitnesses said that between 800 and 1,000 demonstrators marched through the city centre before being dispersed by AFDL troops, who fired several shots into the air and made 50 arrests.

While the supporters were taking a risk by defying an AFDL ban on political activity announced earlier in the week, turnout was disappointingly low compared with the kind of mass support Mr Tshisekedi has mustered in the past. A "dead city" strike day called on Monday by his supporters also went virtually ignored – a development unimaginable during the Mobutu years.

The veteran political activist appears to be paying the price for his perceived obstinacy. AFDL leaders bave made it clear they are ready to welcome him into the government, but will not give him the prime minister's post – the job he held three times under Mr Mobutu. While the opposition campaign is enjoying some success in fuelling hostility to the large numbers of Tutsi fighters among the AFDL forces, most ordinary Congolese seem ready to give the new regime a chance to prove itself.

The protest's poor showing will belp to shore up the position of Mr Laurent Kabila, the self-appointed president, who is due to be inaugurated todsy after spending a week avoiding the limelight. Mr Kabila, wbo is also expected to attend next week's Organisation of African Unity summit in Harare, has been under fire from the US and France, concerned about Mr Tshisekedi's sidelining and the ban on political activities.

But in recent days he has received unexpectedly warm endorsement from Soutb African President Nelson Mandela.

Birthrate down, hardship up

Arkady Ostrovsky on the UN's latest report on world population trends

The world's population is not growing as fast as was feared, thanks to greater use of contraception, the UN reported yesterday. However, AIDS and war are making a big contribution to slower population growth, especially in tbe developing world, the United Nations Population Fund report says.

The report, which calls for better reproductive bealtb care and easy access to contraceptives, says the world population, now 5.85bn, is growing by 81m a year, down from 87m in 1985-1990, and ls expected to reach 9.4bn by 2050.

But fertility rates are declining and the rste of populatioo growth slowed to 1.48 per cent from the 1.57 per cent projected by tbe UN in 1994. In India for example the fertility rate has declined from 4.5 children per woman to 3.4 per cent as a result of better family planning. The current sverage fertility rate in the world is 2.9 children per woman.

But poor access to contraceptives and inadequate reproductive health care in many developing countries remain the UN's main concerns. It estimstes tbat 585,000 women – one every minnte – die from causes related to pregnancy, 200,000 of them because of the lack of or failure of contraceptive services. It says 75m pregnancies eacb year, of a total 175m, are unwanted and result in 45m abortions.

In many developing countries abortion and femala genital mutilation are still used as "family planning metbods". The report estimates that 120m women have undergone some form of genital mutilation.

But the report says the demographic effect of AIDS is growing, particularly in central Africa and South Asia. In some central African countries AIDS increased the death rate by as much as 25 per cent.

The report says 3.1m people last year were infected by HIV and half of them died of AIDS and HIV-related causes, inclnding 350,000 childreo under the age of 5.

South Asia, India in particular, had the highest number of cases, but the study shows the virus is spreading with alarming speed in Russia and former Soviet republics, where the number of infections was negligible only a few years ago.

The report says 70 per cent of all cases is the result of heterosexual intercourse and the majority of the newly infected are young people between 15 and 24.

While the proportion of women who had sex before 20 is declining in some Latin American countries including Colombia, Mexico and Peru, the proportion of adolescents who are sexually active before the age of 16 in industrialised countries is growing.

The report claims that ignorance and the lack of proper sexual education are often to blame for unwanted pregnancies and increasing number of HIV infections. "Advocates of family lifa and sex education are confronted with the persistent myth that sex education leads to promiscuity. Research indicates that sex education encourages ... higher levels of abstinence, later start of sexual activity, higher use of contraception and fewer sexual partners," the report says.

Tha "sex trade", which often involves trafficking in children, also fuels the HIV pandemic, the report says. Some studies found that up to 80 per cent of prostitutes were HIV-positive. The report estimates that 2m girls between the ages of 5 and 15 are brought to the commercial sex market every year. The trend is particularly strong in Asia.

The International Conference on Population and Development held in 1994 agreed that $17bn would be needed annually by the year 2000 to provide better reproductive health care. It was agreed that the developing world would spend $11.3bn and the industrialised world would contribute the remaining $5.7bn towards the UN population programme. But while the developing world kept close to its promise and allocated $10.7bn, the richer nations spent only $2.5bn, less than half what they promised.

Only a few years ago "HIV" and "AIDS" were bad capitalist words in the Soviet vocabulary. Today the countries of the former Soviet Union are on the brink of their own AIDS epidemic, writes Arkady Ostrovsky.

Ukraine has had one of the sharpest increases in HIV infections, mainly as a result of a rising number of young people injecting drugs, according to the UN Population Fund report published yesterday.

The cities bordering the Black Sea, where drugs are easier to obtain and the "holiday sex" industry is booming, have the worst record. In the small town of Nikolaev, HIV infection among drug-users exploded from 1.7 per cent to 56.5 per cent in less than a year.

The number of new cases in Russis increased seven-fold in the last year. By the end of 1996, 1,535 new cases were registered – more than the previous nine years together.

For years sex and contraception were taboo subjects in the Soviet media while homosexuality was a criminal offence.

Sierra Leone rebel leader supports military coup

By Antony Goldman

Mr Foday Sankoh, leader of Sierra Leone's rebel Revolutionary United Front (RUF), said yesterday he supported Sunday's armed forces coup against the elected civilian government.

The move is likely further to complicate an already tense sitnation. Regional powers were last night stepping up efforts to persuade the new regime to stand down.

"These are our brothers," said Mr Sankoh, wbo has been in Abuja, Nigeria, since March. "Together we will make a revolntion. Only the army and the RUF can solve our problems."

The RUF began its uprising in 1991, bnt a peace agreement signed with the ousted government of President Tejan Kabbah last November looked increasingly shaky in recent weeks. In one of their first statements, the conp leaders invited Mr Sankoh to join their government.

Major-General Johnny Paul Koromah, the Sandhurst-trained, self-declared head of state, has announced suspension of the constitution, banned demonstrations and abolished political parties. On the BBC's African service, he warned ontsiders against becoming involved.

"I don't think it is right for foreign troops to intervene in Sierra Leone's internal affairs," he said, as speculation mounted about the intentions of two shiploads of Nigerian soldiers in the harbour of Sierra Leone's capital, Freetown.

Nigeria's military government has said nothing formally about the situation. Diplomats say it is working closely with the US to press the coup leaders to give up power.

General Sani Abacha, Nigeria's head of state, has repeatedly urged an end to conflict in west Africa, and has contributed most of the resources for a regional force at present overseeing efforts to bring peace to Liberia.

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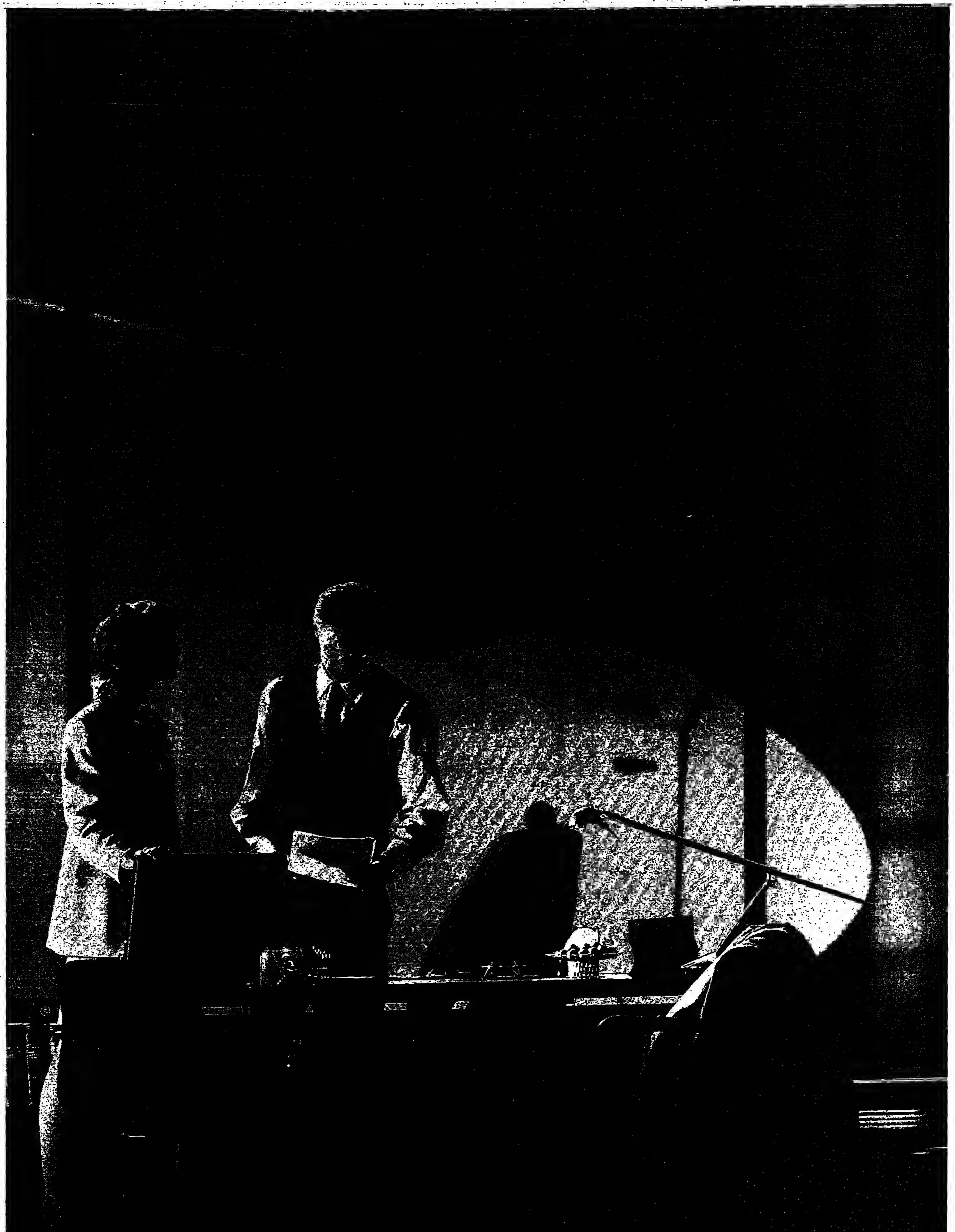


Minister indicates he will follow recommendations of experts on 'mad cow disease'

EU beef suppliers may face import curb

By Alison Maitland in London

Britain is likely to ban some beef from other European Union countries if government scientists advise that it could be contaminated with BSE, or "mad cow disease", Mr Jeck Cunningham, the agriculture minister, said yesterday.

The government's Spongiform Encephalopathy Advisory Committee (Seac) is due to make recommendations shortly to ministers about the safety of cattle heads imported into the UK.

These are being legally imported for their cheek meat, used in pies, even though domestic cattle heads have been banned from use since last year because of the risk that meat could be contaminated.

Mr Cunningham, who has been pressing the European Commission and fellow farm ministers to ensure that high-risk "specified bovine material" is removed uniformly across the EU, said: "I have to consider a ban if that's what Seac recommends."

The European Commission has warned that human health is being put at risk by some EU states' failure to apply rules to eliminate the dangers from BSE. Ms Emme Bonino, food safety commissioner, is shortly to publish a detailed report on how member states are monitoring the food chain.

Any UK ban would be likely to apply to areas of the EU where BSE was a problem, Mr Cunningham said. France, the Netherlands, Portugal, Germany, Denmark, the Republic of Ireland and Italy have all had cases.

He acknowledged there would be problems over the legality of a unilateral ban, but said: "If Seac advise me to act, I'd have to report this to the prime minister. I'd publish the advice. It would be difficult not to act on it."

His comments delighted the National Farmers' Union, which argues thet Britain's stringent controls in the wake of the BSE crisis have made beef farmers less competitive by pushing up their production costs.

Mr Cunningham's campaign comes as UK beef producers are suffering a 17-year low in cattle prices. The Meat and Livestock Commission blamed the drop on oversupply, swelled by a near 50 per cent rise in beef imports, chiefly from the EU.

The imports have been attracted by the strength of sterling, which has simultaneously lowered the rate UK farmers receive for selling beef into EU intervention stocks and encouraged them to sell to the open market instead.

Commodities, Page 24

The government's Scottish Office has rejected a request for £100,000 ($163,000) to fund research into the e.coli 0157 organism in spite of the continuing health dangers posed by the bug, George Parker writes.

The government rejected the request for research funds from Professor Hugh Pennington, the Aberdeen University microbiologist who drew up a report on e.coli for the former Conservative administration.

Meanwhile, 21 people have been admitted to a Scottish hospital after being infected by the organism. Five elderly patients and one nurse at Falkirk Royal Infirmary are showing symptoms of the bacterial infection.

Fifteen others, including six nurses and one domestic worker, are carrying the organism, The source of the new outbreak is not yet known and none of those showing symptoms is critically ill – but 22 people have died in Scotland from the bug in the past six months.

Multinationals 'losing interest in N Ireland'

By John Murray Brown in Dublin

Northern Ireland's Industrial Development Board has failed to meet its inward-investment johs target for the paat year, underlining the difficulties of attracting companies to the region.

The board reports that in the months of last year covering the end of the Irish Republican Army ceasefire and the violence surrounding the summer marching season, interest from multinational companies fell to its lowest level for four years, with first time visits to the province by prospective investors down to 202 compared with 243 in 1995-96.

While the number of projects promoted has remained broadly unchanged over each of the past three years, the number of jobs created hy non-UK companies in the 12 months to March this year fell from 4,869 to 4,641 against a target of 5,750 jobs.

In its 1996-97 report, the board says that a total of £633m ($1.03bn) was committed by client companies, inclnding £490m from companies with owners outside the UK. The total had risen In each of the past three years. The board was criticised in a recent independent report for focusing on low-skill, low-wage investments in industries such as textiles and clothing.

The board warned yesterday thet there was unlikely to be any easing of the cost pressures in those industries. In the food sector, the board said any lifting of the European han on heef exports "should lead to some recovery". But the report said there was likely to be "further rationalisation in the dairy todustry".

● Human Rights Watch, a non-governmental organisation based In New York, yesterday accused the Royal Ulster Constabulary, the Northern Irelend police force, of "exacerbating the conflict" in the region through poor policing of the marching season, intimidation of terrorist suspects and their lawyers and the exercise of "draconian" emergency powers.

In turn, the RUC accused the group of "displaying a degree of naivety of the very real difficulties in policing a deeply divided community". The report urges the UK government to close the Castlereagh holding centre, and alleges that "intimidation and harassment of detainees and lawyers representing them is commonplace".

The report was issued as Ms Marjorie "Mo" Mowlam, chief minister for Northern Ireland in the British government, was meeting officials of the Protestant and anti-repuhlican Orange Order in an attempt to avert the violence that engulfed last year's parades.

Associated Press

The delegation from Sinn Fèin, political wing of the Irish Republican Army, returned yesterday to talks, arranged hy prime minister Tony Blair, with British government officials about the future of Northern Ireland. From left, Martin McGuinness, Westminster MP for Mid Ulster; Caoimhgin O'Caolain, the party's candidate for Cavan Monaghan in next month's general election in the Republic of Ireland; Gerry Kelly, an unsuccessful candidate in the British general election on May 1; and Siobhan O'Hanlon, a senior assistant to Gerry Adams, president of the party

EU jobs chapter to be signed next month

By Robert Taylor in London

Britain will aign the proposed employment chapter in the new European Union treaty at the intergovernmental conference in Amsterdam next month, Mr Robin Cook, the foreign secretary, promised a Trades Union Congress conference in London yesterday.

Mr Cook told delighted delegates: "We will support an employment chapter within the EU treaty because we believe it is very important that we should balance monetary targets that are already in the treaty linked to the single currency with hroader economic objectives such as higher levels of employment".

Mr Cook went on: "Progress towards achieving those monetary targets must be within a framework of increasing jobs and must not be at tha expense of employment".

Mr Cook's unequivocal support for the draft employment chapter confirms an *important* shift in UK European policy. The draft employment chapter calls on EU member states to work towards "developing a co-ordinated strategy for employment". It also means a commitment to back measures to improve working conditions, the health and safety of workers, information and consultation for employees and the "social integration" of people excluded from the labour market.

Mr Ad Melkert, the Dutch employment minister, told the conference he believed employmant policy would "remain a high priority on the European agenda" after the introduction of the final phase of monetary union in 1999.

Input to defence review to be widened

By Bernard Gray, Defence Correspondent

Mr George Robertson, defence secretary, yesterday invited opposition parties to contribute to the Labour administration's defence review in a move away from the traditional closed world of the defence ministry, the government machine's most secretive department.

Mr Robertson said that he wanted to build consensus across the political spectrum about what shape the UK's armed forces should take.

"I want this to be Britain's defence review, not Labour's defence review," he said.

As well as inviting opposition parties to take part in the debate, the defence ministry will establish a panel of outside specialists to produce ideas and advise on the progress of the review. To start the process, the ministry will hold two seminars in the next few weeks to debate with a large audience the direction the review should take.

However, the offer to build cross-party consensus on defence was quickly rebuffed by the Conservative opposition. Mr Nicholas Soames, a defence minister in the last government, said the review was pointless.

Mr Robertson has not yet decided who will serve on the panel of advisers, nor has a formal method for involving opposition parties been agreed. However, he did confirm that the seven-month review of the ministry's £21bn ($34bn) budget would not be driven by the desire to cut spending. Instead, It will look at what the UK wishes to achieve in foreign affairs, and how the ministry's budget is distributed to achieve those ends.

While the government was not starting with a financial motive, Mr Robertson conceded that there was "no realistic chance" of an increase in the defence ministry's budget.

Outside observers judged the new government's room for manoeuvre "extremely limited" in condncting its review. Sir Timothy Garden of the Royal Institute for International Affairs said that he did oot expect radical change but expected "some rebalancing" of the armed forces.

However, Labour in opposition hed consistently claimed that the armed forces were overstretched, and could not meet all the commitments placed on them within their current budget.

With no prospect of increased funding, Mr Robertson would have to consider cutting at least one military capability if its review concluded that the armed forces are indeed overstretched.

Mr Robertson said that the main factors underpinning the review included co-operation with the US, collective security based on Nato, and strong conventional forces backed by the nuclear deterrent.

● In a separate development, the defence ministry has published details of its chemical weapons programme, confirming that Britain has had no offensive capability since 1960, George Parker writes. But it revealed that small quantities of nerve agent were produced for research purposes In south-west England until 1978.

Editorial Comment, Page 11

Extra powers urged to beat internet crime

By Nicholas Denton in London

One of the UK's leading crime-fighting agencies yesterday called for extra powers to face the growing threat of fraud, theft and terrorism conducted over the internet In the 21st century.

The National Criminal Intelligence Service, a government agency, warned that internet crime was "the policing challenge of the next millennium", and wanted a new law covering the theft of electronic information.

Mr Albert Pacey, director general of NCIS, told a London conference: "A new police beat is emerging, not that of the streets of our cities, but that of the information highways that are creating criminal opportunities that ultimately effect every citizen, whether it is in essence stealing money from them by massive fraud or by abusing our children, as we have proved through out work on paedophiles.

The push by the NCIS, which is part of the Home Office, for increased regulation comes amid disputes in the US and Germany over information on the internet. The p+ush is likely to meet opposition from the software industry and advocates of free speech.

However, Mr Pacey said: "We as law enforcement are not suggesting for a moment a need for draconian powers to in some way censor the medium. We realise this is not an option." Among the suggestions of the NCIS plan, to be submitted to the police and government in the summer, is a new internet crime group within the National Crime Squad.

Proposed legislation on the theft of electronic information, which the Home Office said yesterday it would consider, would close loopholes in existing copyright and other laws. Mr Pacey, speaking after seven man were sentenced for up to 28 months for illegally copying software worth about £6m ($9.8m), argued for stiffer penalties for offences such as software piracy.

More controversial are likely proposals to allow the police to monitor and intercept e-mail messages, which would require legislation compelling internet service providers to divulge information. The pressure for tighter regulation of the internet comes amid claims by the NCIS that computer crime is increasing dramatically. It said it had evidence that organised crime groups in the UK and eastern Europe were turning to software piracy, and child pornographers were distributing material over the internet.

Minister demands more aid cash

By Robert Chote, Economics Editor

Ms Clare Short, chlef minister for international development, made clear yesterday that she would demand extra funds for the aid programme as soon as the government's two-year commitment to stick hy its predecessor's spending plans expired.

In her first big speech at the helm of the newly created Department for International Development, Ms Short reminded her andience that the Labour party had fought the election on a commitment to Increase aid spending to the United Nations target of 0.7 per cent of gross national product. Under the former Conservative government, the aid budget dropped from 0.51 to 0.27 per cent.

She said that her department's apending could be modified only at the margin this year, hut would he shifted towards a more sharply focused poverty eradication agenda next year.

"I will then be in a position to ask for more resources in year three," Ms Short said, although she would not say how much progress she hoped to make towarda the UN target hy the next election, due in not more than five years.

As one of the cahinet'a most outspoken memhers, Ms Short will argue strongly for the extra resources she wants. But the Treasury is unlikely to see development as a high priority.

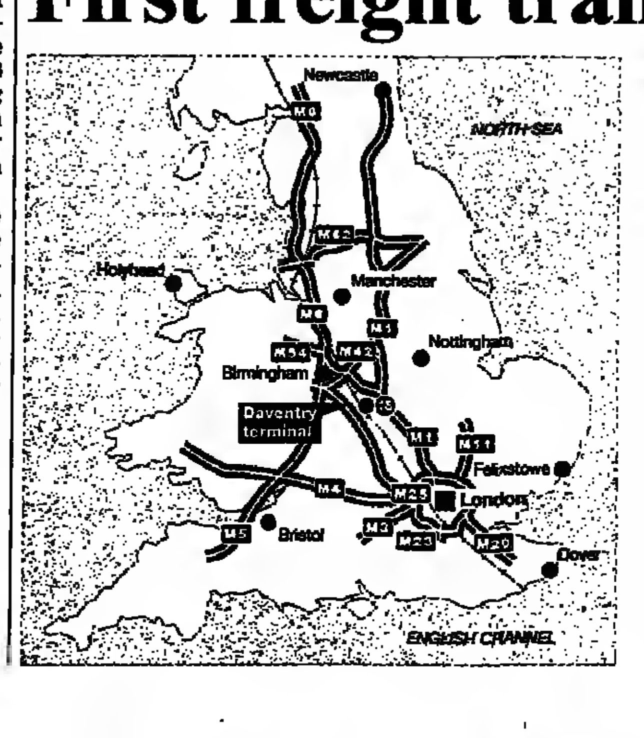
Speaking to London University's School of Oriental and African Studies, Ms Short emphasised the importance of using limlted resources more affectively. She backed the Organisation for Economic Cooperation and Development's call for the adoption of measurable targets, included a halving of world poverty by 2015.

She would like leaders of the Group of Seven leading industrial countries to back this target when they meet for their annual summit in the UK next year.

The use of trade and investment to promote development in Africa has been flagged by the US government as a key theme for this year'a G7 aummit in Denver, Colorado, next month. But Ms Short warned that the outcome might well be disappointing.

She confirmed thet her department was reviewing the so-called "aid and trade provision", under which part of the aid bndget is earmarked for grants and export credits that benefit British businesses.

First freight train pulls in from mainland Europe



By Charles Batchelor, Transport Correspondent

The first freight train from mainland Europe arrived yesterday at Daventry International Rail Freight Terminal in the English Midlands.

The new terminal, which is being developed at a cost of £250m ($407.5m), is on the main west coast railway line between London and Scotland, and is located close to junction 18 on the M1 motorway. The terminal is one of a new generation of freight handling centree designed to take rail and road shipments.

The west coast line forms one of the priority routes in the European Commission's proposed transport network and is also dne for an upgrading to carry "piggy-back" road trailers on rail wagons and "high cube" containers which are too large to go through standard UK rail tunnels.

Daventry will start with a daily service to and from Milan, Italy, while an overnight service to and from Paris will begin on June 16. By the end of this year, it expects to remove the equivalent of 3,000 trucks from the UK road network each week.

The focus of the 150ha terminal is a railport with five reception sidings and the capacity to handle 10 Channel tunnel freight trains a day. Rail lines run into five of the buildings on the site, but most of the 360,000 sq m of industrial space planned is designed to be used by either road or rail vehicles. When all the buildings are let, the terminal is expected to provide employment for more than 5,000 people.

Applied Distribntion, a logistics group, will operate the rail port, which is designed to handle 165,000 containers a year. An early sign of possible trends in the distribntion business has come from a decision by Eddie Stobart, a large privately-owned road haulier, to develop a £25m distribution centre on the site.

The company has said it will move shipments from road to rail if it proves to be a more efficient method. New freight terminals have opened in the past two to three years at Moss End in Glasgow, Scotland, and in Doncaster, northern England, but there have been fears in the rail industry that much terminal capacity was on older, cramped sites lacking modern handling and storage facilities.

The newer terminals, including Hams Hall, near Birmingham, which is due to open shortly, combine distribution and manufacturing space to make them financially viable. The Daventry terminal has been developed hy Abbcott Estates with the help of £75m of funding from Hermes Property Asset Management, which manages the British Telecommunications and Post Office pension funds.

UK NEWS DIGEST

Blair to meet Kohl soon

Mr Tony Blair, the prime minister, will visit Bonn on June 6 for talks with Chancellor Helmut Kohl in preparation for the Amsterdam summit on European Union reform later that month.

Mr Blair's visit will be his first to a capital outside the UK for bilateral talks as prime minister. The visit underlines the importance attached by both sides to achieving a better understanding between Britain and Germany on EU and foreign policy issues after the progressive cooling of relations during the past Conservative administration in Britain.

The meeting with Mr Kohl will come as heads of government are expected to play an increasingly important role searching for compromises that can make the Amsterdam meeting a success. Mr Blair's government has so far impressed the Germans with the speed and confidence with which it has begun its term.

Mr Blair will travel to Bonn from Malmo in Sweden, where he will attend an international meeting of socialist parties.

● The prime minister yesterday met Admiral William Crowe, US ambassador to the UK, to discuss arrangements for today's visit to London by President Bill Clinton. Mr Clinton will address the British cabinet at the end of its routine Thursday meeting. *Peter Norman, Bonn*

Something New, Page 10

■ NATIONAL LOTTERY

Minister summons Camelot chief

Mr Chris Smith, the minister responsible for the National Lottery, last night summoned Sir George Russell, chairman of Camelot, the consortium which operates the lottery, to an urgent meeting following the leaking of the company's annual results.

Camelot last night confirmed that the leak in Marketing Week magazine, which detailed a decline in revenues and money going to good causes at the same time as a 40 per cent rise in remuneration to directors, was accurate.

Last night Mr Smith, speaking before Camelot'a confirmation, said that if the report were true, he found the position completely unacceptable.

"I have invited Camelot chairman to an urgent meeting to explain the company's actions and discuss how public support for the lottery can be maintained," Mr Smith said.

The National Heritage secretary emphasised that the Government was committed to seeking a non-profit lottery operator when the current licence expired. Camelot's pre-tax profits dropped by 8.6 per cent to £70.8m ($115.4m) last year from £77.5m.

After-tax profits fell from £51.1m last year to £46.8m in the year to the end of March. The members of Camelot are Cadbury Schweppes, the food and drink group; De La Rue, the security printers; Racal Electronics; ICL, a UK offshoot of Fujitsu; and GTech, the US lottery equipment supplier. *Raymond Snoddy, London*

■ ELECTRICITY INDUSTRY

Competition delay expected

Mr John Battle, energy minister, yesterday signalled a further delay in retail electricity competition after a meeting with Professor Stephen Littlechild, the electricity industry regulator. Mr Battle said "we can not afford a crisis of confidence" in energy markets. He said that Prof Littlechild would today publish a report on the outstanding issues facing the industry as it approaches its April 1998 deadline for competition to be introduced.

Mr Battle said that he would be asking the chief executives of all 14 public electricity companies to e meeting at the department of trade and industry next month to hear their comments on Prof Littlechild's report and receive "assurances that the will play their full part in making sure this plan works". *Simon Holberton, London*

■ TAKEOVER BID COURT HEARING

Entrepreneur resists allegations

The private criminal prosecution of Mr Andrew Regan, the entrepreneur, and two others over the failed $1.2bn takeover bid for the Co-operative Wholesale Society reached court for the first time yesterday.

The CWS is prosecuting Mr Regan, head of Lanica Trust, the Guernsey-based investment trust, his business partner Mr David Lyons and Mr Allan Green, a former senior CWS executive, for alleged theft offences over the passing of confidential information concerning CWS's finances. The case was adjourned until June 18 by magistrates in the City of London. A lawyer for Mr Regan said afterwards that his client continued to resist the allegations of wrongdoing. *John Mason, London*

■ WEAPON LEGISLATION

Date set for ban on handguns

The ban on larger calibre handguns – legislated for by the last government – will start on October 1, the government's Home Office said yesterday. Private owners and dealers will have from July 1 to hand in existing guns larger than .22 calibre, the Home Office said, the timetable being subject only to approval by Parliament of the compensation arrangements which are due for debate by the House of Commons on June 9. A more comprehensive ban on handguns could follow if Parliament supports one in the free vote on the issue which the government has promised. *Nicholas Timmins, London*

■ EMPLOYMENT

'More working flexible hours'

More than half of Britain's employees, nearly double the proportion of 10 years ago, work flexible hours, the independent Policy Studies Institute reported yesterday.

However, the growth in variable working hours is due more to the use of paid and unpaid overtime and not to any increase in flexible forms of employment, it added. *Robert Taylor, London*

Cinema / Nigel Andrews

Watch out, here comes Crash

CRASH (18)	David Cronenberg
BIG NIGHT (15)	Stanley Tucci and Campbell Scott
ABSOLUTE POWER (15)	Clint Eastwood
GRIDLOCK'D (18)	Vondie Curtis Hall
TURBULENCE (18)	Robert Butler

The most famous unseen film in Britain is about to be seen and a week's warning seems only polite. *Crash* already exists fully-realised in most people's minds, either as distasteful cultural roadkill – courtesy of the Daily Mail and Standard – or as a martyred masterpiece from the Canadian shlockmaster with art aspirations who brought you *Rabid*, *Dead Ringers* and *Naked Lunch*.

Neither description really fits the picture. Like Cronenberg's version of the William Burroughs *succès de scandale*, his film of J.G. Ballard's erotic prose poem about highway smash-ups is at once solemn, overwrought and almost Martian in its alienated, alienating detachment. Since he cannot put on screen anything approaching Ballard's seething, hyperbolic literalism about body parts (human and vehicular), he turns the story from high porn into high geometry. The shine of chrome; the sudsy mechanical slap and claw of a carwash, with windscreen wipers beating out an insistent rhythm; the exoskeletal plumbing (sex made postmodernist?) of a woman's leg brace. On paper it may have seemed the best way to do the impossible. In practice it is just about the worst. *Crash* comes on like one long visual *double entendre*, as arch and conspiratorial as a "Carry On" movie for sexual symbologists.

As in Ballard, no plot really exists. There is just a Marlovian triangle with a Faustus-like hero (James Spader), a not-so-virginal Marguerite (Deborah Unger) and a Mephistopheles on wheels (Elias Koteas) who tempts them into ever greater erotic trespass. In this configuration Holly Hunter's sexy stranger, who bares an alluringly traumatised bosom at our hero in the film's opening crash and then vamps nomadically through a couple of later scenes, is probably Helen of Troy: the breast that launched a thousand pile-ups. And Rosanna Arquette's cripple is a one-woman chorus of the maimed but erotomanic, a callipered siren who welcomes male members into her leg wounds.

Is it possible, even as a Cronenbergian theorem, that people could be inflamed by this film? That they could be driven, or drive, into self-immolation on the Queen's highways? That our evening newscasters could read, "Now traffic, and reports just in of a multiple orgasm on the M25?" I don't think so. But even if such things could happen, I am not persuaded that the adult world should sit about repressing its more loopy and recondite fantasies simply because the media blackmail us with fears of copycat enormity. For peace on our roads, better to ban alcohol. For peace in our minds, better to ban the Daily Mail.

Big Night is big with Italian melancholy. This doleful, lovable comedy seems designed to prove the old proverb that you can find anything in New Jersey except a reason for living there. Two brothers who run a small, high-quality Italian restaurant on the bustling coast – Primo (Stanley Tucci) is the manager and maitre d', Secondo (Tony Shalhoub) is the cook – cannot find enough customers. The locals resent such dishes as the seafood risotto with no visible seafood. So they yell for meatballs and spaghetti. Then Secondo yells back and Primo comes between, trying to make peace if he cannot make money.

Across the street lives the Devil, in the form of Ian Holm as a rival restaurateur who *does* thrive by serving meatballs. Here the movie, which was co-written and co-directed by Tucci with fellow actor Campbell Scott, who cameos as a flash car salesman, almost overplays its hand. Pascal (Holm) promises to help promote the brothers' restaurant by providing a guest of honour, the real Italian crooner Louis Prima, for a "big night" with food, photos and publicity. But are the brothers stupid? Since Tucci's Primo is also having an affair with Pascal's beautiful up-class mistress Isabella Rossellini, could he not *speculate* at least that foul work was afoot?

Happily, the plot dissolves like the seafood: or becomes so finely diced that we end up concentrating on the emotional savour not the narrative nitty-gritty. Holm, a demented midget with *commedia dell'arte*, all but evaporates like a pantomime demon, leaving the screen's true focal zones to food, food and more food. The big night, as experienced by the audience, is a display of Virtual Gluttony without recent movie parallel. Secondo may not cook meatballs, but he extends himself to roast pig, stuffed capons and a Calabrian delirium called the *timpano*, a giant pasta cake cooked under a tin drum. This man could have found a job catering Fellini's *Satyricon*.

While the night is a triumph and disaster (guess who fails to turn up), the movie is all gentle triumph. Actor-filmmaker Tucci, who previously zigzagged between slapstick and sinister roles in vehicles like *Blame It On The Bellboy* and TV's *Murder One*, discards mugging for a *mezzopiano* comical naturalism, in both his performance and the whole movie.

The motto of Clint Eastwood's new film could be "Let's hear it for meatballs and spaghetti". On a good day Eastwood makes *Unforgiven*. On a bad day he makes *Absolute Power*, the cinema's answer to a plate of tomato-drowned beefballs and pasta. Gene Hackman is the President, caught with literal pants down when an extramarital fling ends with a murdered floozy. Judy Davis is the improbable chief of staff, playing a cover-up strategist. And Clint himself is the cat burglar – sorry, "master criminal" – who sees it all unobserved from behind the two-way mirror guarding the jewels safe.

Who will blow the whistle on whom? The White House wishes to snuff out the witness. But he is a dapper old renegade close to enjoying his retirement. Also, he must mend fences with estranged daughter Laura Linney.

At quality-starved Cannes where it closed the festival, *Absolute Power* was horribly enjoyable, like a bad meal when you are too hungry to care. Out in the real world it may just seem plain bad. But at least Eastwood is on screen throughout. That he produced and directed this particular lunacy merely adds to the rich woof of paradox.

Gridlock'd and *Turbulence* compete for worst film of the week. The first has Tim Roth and Tupac Shakur striving to kick their cocaine habit in seediest New York: sub-Tarantino pulp. The second, starring Ray Liotta as a stroppy convict in air transit, shows what could happen if a bad inflight movie ever came down off the screen and took over your flight. Hi-jinks, hijackings and mile-high inanity. Most cherishable dialogue exchange: "What is the status of the flight crew?"; "Dead".

The shine of crushed chrome is never far from the highway in David Cronenburg's Crash, the "Carry On" movie for sexual symbologists

Ballet / Clement Crisp

A beguiling La Sylphide

The Paris Opéra Ballet has just revived Pierre Lacotte's *La Sylphide*. This is, and equally is not, the staging which in 1832 marked the arrival of Romanticism's airy flights and aspirations on to the ballet stage.

Lacotte has sought, through scholarship and an acute feeling for Romantic dance, to recreate the ballet in which Marie Taglioni altered the way the ballerina looked on stage, and a new fashion for the ghostly and exotic infused ballet itself. (He first staged it for French TV, then mounted it for the Palais Garnier troupe in 1972.)

He has found many indications as to the choreographic outlines of the piece. The Opéra's own archives unearthed the score by Schneitzhoeffer; and meticulous copies have been made of the pretty costumes by Lami and of Ciceri's splendid decors.

But what we see is not – cannot be – the Taglioni vehicle. It lacks the life-blood that still runs through the Danish production, which Bournonville made just four years after the Taglioni version (and was inspired by her), that has been maintained in continuing performance ever since. More domestic in scale, more dramatic, it has been refined and enhanced by its 160 years of loving interpretation. By comparison, the Paris production is overblown and more archaeological than theatrical. And yet, and yet . . . with the right interpeters it charms and beguiles.

It had the right interpreters when it was first given, with Ghislaine Thesmar as a touchingly graceful sylphide, and Michael Denard a handsomely doomed James. It had absolutely the right interpreters on Saturday night when I saw it at the Opéra, with Elisabeth Platel as the sylph and Nicolas Le Riche as the besotted crofter. Platel, so pure in style, so easy in technique, and so sweetly feeling in her playing of the drama, is a revishing creature of the air. Like Taglioni's sylph, she wins our hearts as well as James's by her unshadowed grace, by gentleness and by her dulcet way with the most taxing of dances. (The role is a killer). We first saw her in the part when the Opéra Ballet came to London in 1983, and she was enchanting. Now authority and greater technical understanding mean that the dance, with its floating poses, its tiny steps (the old ballerinas used to say "like making lace"), is shown to us with a kind of loving pride. It is a beautiful interpretation.

So, in the truest sense, is Le Riche's view of James. The ballet's crisis concerns a man who forsakes reality for dream, real love (that for his fiancé Effie) for illusory passion. Le Riche tells us this with tremandous bravura of means – huge swathes of movement; grand leaps; brilliant beaten steps; untiring power – but with no less commanding dramatic sense. We see a man haunted, riven to his core by the calls of duty and the pull of intoxicating unreality. Le Riche, a totally expressive artist, makes this urgent, heart-rending. (I thought, perhaps unjustly to Lacotte's staging, how fine it would be to see Le Richa in tha Bournonville production.)

Platel and Le Riche make this somehow indulgent – because too clogged with dance – staging seem entirely sensible. The Opéra cast (despite an unconvincing Madge, and an Effie from Karin Averty lacking in much pathos) bounce and soar through the general dances, and in the second act platoons of sylphs fly, pose adorably on branches, and finally ascend to some gauzy heaven bearing the dead sylphide. We sense in all this the attractions that *La Sylphide* had for its first audiences. With Platel and Le Riche, we know the truth that the old ballet had for its public, and we know why it has persisted as a theatrical memory ever since its premiere.

Opera / Paul Moor

When Glass met Doris

The world premiere in Heidelberg of Philip Glass's latest opera, to a libretto by the British novelist Doris Lessing, presented a bemusing phenomenon. In spite of its modest size, Heidelberg has a record for adventurous theatrical activity; a millionaire fan of Glass is said to have made this production possible.

The second surprise came from Germany's musical press: in a country where a number of prominent dailies mark virtually every musical sparrow's fall – particularly operatic world premieres – almost all ignored this event. Tha first major review in print, in Die Zeit, dive-bombed the score and the production. The second, in the Frankfurter Allgemeine Zeitung, took a scarcely more charitable view.

The first Lessing-Glass science-fiction opera, *The Making of the Representative for Planet 8*, received showy co-ordinated premieres in Amsterdam, Houston, Kiel and London in the 1988-89 season. In stark contrast, Glass's publisher reports no immediate plans for post-Heidelberg productions of its sequel, *The Marriages Between Zones Three, Four and Five*.

In Zone Three, peace, love and harmony reign, but hostility and war dominate Zone Four. Nebulous godlike figures ("the Providers"), who exercise total control over everything, have decreed that Al Ith, the benevolent queen of Zone Three, will marry Ben Ata, who rules Zone Four. That mismatched pair do manage to work out a *modus vivendi*, but things get sticky when the boyish girl Vashti, semi-skinhead ringleader of the anarchic Zone Five, enters the picture and zeroes in on Ben Ata. The result is near-apocalyptic.

Glass has blazed no new musical trails here: he has long since created his own easily recognisable auditory trademark. It is hardly an overstatement to say that if by now you've heard one Philip Glass opera, you've pretty much heard them all. Certainly, I experienced *Zones* with an almost sinking feeling of *déjà entendu*.

It seems only yesterday that Glass operas were being staged in major houses by top-flight directors (Robert Wilson, Achim Freyer) and leading conductors. They divided German audiences into irreconcilable factions, but at least they attracted considerable attention. The cool reception given to *The Marriages between Zones Three, Four and Five* shows how Glass's stock has fallen. For the record, the Heidelberg production was conducted by Thomas Kalb, with staging and choreography by Birgitta Trommler. Robert Bork, Stella Doufexis and Akiko Nakajima performed creditably in the leading roles.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Nederlands Scheepvaartmuseum Tel: 31-20-5232311
● Maritieme Meesters. Scheepvaart op Tekeningen, 1600-1800: exhibition featuring 100 drawings providing a varied image of shipping at the time of the Dutch Republic. The works reflect shipping's status as the principal pillar on which the country's economic and political power rested; to Jun 30

■ BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● *Joachim Dalitz and Susanne Ehrhardt: the organ-player and flautist perform works by Notari, Frescobaldi and Uccelini; May 31*

■ BOLOGNA

EXHIBITION
Galleria d' Arte Moderna Tel: 39-51-502859
● *George Baselitz: the first retrospective of the German artist's work to be held in Italy, tracing all developments in his painting, beginning with the New Objectivity of the 1950s and later Abstract Expressionism and his "upside down" works; from May 30 to Sep 7*

■ BONN

EXHIBITION
Kunst- und Austellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200
● Deutsche Fotografie: display of 300 works by 150 German photographers from the 19th and 20th centuries, covering different aspects of the medium, including architecture, art, fashion, design, advertising and journalism; to Aug 24

■ CHICAGO

EXHIBITION
Art Institute of Chicago Tel: 1-312-4433600
● Drawings Rediscovered: Italian Drawings Before 1600 in The Art Institute of Chicago: selection of 15th and 16th century drawings; to Jun 22

■ GENOA

EXHIBITION
Palazzo Ducale Tel: 39-10-562440
● Van Dyck a Genova – Grande pittura e collezionismo: exhibition examining the years Flemish painter Anthony van Dyck (1599-1641) worked in Genoa. *The display features some 40 of Van Dyck's paintings; to Jul 13*

■ GLASGOW

EXHIBITION
McLellan Galleries Tel: 44-141-3311854
● The Birth of Impressionism: from Constable to Monet: exhibition featuring over 300 works, setting the Impressionist movement in a social, scientific and historical context, looking at the effects of photography, new paint technology and the coming of the railways on artists including Millet, Rousseau, Courbet, Degas, Monet, Pissarro, Manet and Cezanne; to Sep 7

■ LONDON

EXHIBITION
Royal Academy of Arts Tel: 44-171-4397438
● The Berlin of George Grosz: the first exhibition in Britain to feature the graphic work of the German satirist since 1956. Grosz used his work to describe life in Germany from the end of the First World War through economic and political crises to the rise of Nazism; to Jun 8
Tate Gallery Tel: 44-171-8878000
● Turner's Watercolour Explorations 1810-1842: display of Turner's watercolours selected from the Colour Beginnings collection; a group of 390 pieces, some highly abstract and many, until now, unidentified. The majority of the works are studies, sketches or explorations of effects but there are also a number of finished pieces, most famously "Loss of an East Indiaman", one of Turner's graphic shipwreck scenes; to Jun 8

OPERA
Royal Opera House – Covent Garden Tel: 44-171-2129234
● Elektra: by R. Strauss. Conducted by Christian Thielemann. Soloists include Hildegard Behrens, Karita Mattila and Felicity Palmer; May 31

■ LOS ANGELES

CONCERT
Dorothy Chandler Pavilion Tel: 1-213 972 8001
● *Los Angeles Philharmonic: with conductor and pianist Christoph Eschenbach, in works by Mozart and Mahler; May 30; Jun 1*

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Philadephia Orchestra: with conductor Wolfgang Sawallisch and violinst Frank Peter Zimmerman in works by Brahms, Schumann and Dvorak; May 30

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● Manuel Rivera: display of 59 paintings by the Spanish artist produced between 1956-1994. Rivera centres his work around concepts of space and light and the exhibition also includes two sculptures and 24 works on paper, all of which have never before been seen in public; to Jun 16

■ MILAN

DANCE
Teatro alla Scala di Milano Tel: 39-2-88791
● Swan Lake: choreographed by Rudolf Nureyev to Tchaikovsky'a music; May 31

■ MUNICH

DANCE
Cuvilliés-Theater – Altes Residenztheater Tel: 49-89-296836
● Bayerisches Staatsballett: performs "Concertante" choreographed by Hans van Manen to music by Martin, "Grosse Fuga" choreographed by Hans van Manen to music by Beethoven and "Svadebka" choreographed by Jiri Kylián to music by Stravinsky; May 30, 31; Jun 1, 2, 3

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Cartier: 1900-1939: exhibition tracing the progression in styles at Cartier from the turn of the century through to the 1920s and '30s; to Aug 3
The Pierpont Morgan Library Tel: 1-212-685-0008
● Private Histories: Four Centuries of Journal Keeping: exhibition offering a rare opportunity to inspect the personal diaries of various figures from the past 300 hundred years, including Albert Einstein, Sir Isaac Newton, Charlotte Brontë, Walt Whitman and Sir Walter Scott; to Aug 31

■ PARIS

EXHIBITION
Musée Auguste Rodin Tal: 33-1 47 05 01 34
● Vers l'Aga d'airan. Rodin en Belgique: exhibtion featuring 24 busts, 43 paintings and four portraits of friends of the French artist, covering the period during which he lived in Belgium (1871-77) and his relationship with Belgian artists and writers; to Jun 15

■ PHILADELPHIA

EXHIBITION
Philadelphia Museum of Art Tel: 1-215-763-8100
● Rodin and Michelangelo: A Study in Artistic Inspiration: exhibition featuring over 50 drawings and sculptures illustrating the influence of Michelangelo on the French sculptor; to Jun 22

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Die Zauberflöte: by Mozart. Conducted by Scheider; May 30

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COMMENT & ANALYSIS

Labour is drawing on the lessons of the Clinton experience, says **Gerard Baker**

Something new, something borrowed

There will be more than the usual diplomatic warmth in the handshakes when Mr Tony Blair, the British prime minister, meets Mr Bill Clinton, the US president, in London today for their first full bilateral session as heads of government.

The meeting is officially a coda to the summit between the US and the European Union in The Hague this week. Mr Clinton clearly views with enthusiasm the opportunity for a fuller talk with the new British leader after their brief encounter in Paris on Tuesday at the signing of Nato's treaty with Russia.

Much has been made of the apparent parallels between the two men – both telegenic, Oxford-educated, youngish politicians who have brought their left-leaning parties back from the political wilderness through the pursuit of centrist policies. And though the comparisons have doubtless been overdone, it is not seriously in question that the new Labour party learned much from the style of Mr Clinton's new Democrats.

Blair and Clinton in Paris this week: early opportunities to talk

The early days of the Blair government suggest the lessons go deeper than the techniques of election campaigning. Labour leaders and advisers have been studying the Clinton administration's experience for clues as to how to convert the rhetoric of opposition into successful government.

"There's no question that connections with new Labour are really very good," says a Democrat politician close to the US administration. "And they're now in a strong position to learn both from what we did right and from what we got wrong."

The past five years have seen a steady transatlantic traffic of men and ideas. Labour officials such as Mr Philip Gould, Mr Blair's polling adviser, spent months with the Democrats' presidential campaign team in 1992. From the US side, Mr George Stephanopoulos, who was Mr Clinton's senior adviser on policy and strategy until last November, has advised Labour's people part-time since he left his post.

The expertise swapped by party officials are now part of the basic machinery of electioneering: focus groups to canvass views among voters; effective political advertising and media spin.

The early days of the Blair administration have seen, if anything, intensified political dialogue between Labour and the Democrats.

Labour has an advantage over the Democrats in that the two countries' constitutional frameworks are very different: Britain's parliamentary democracy and iron party discipline give Mr Blair, aided by his massive majority, legislative power that Mr Clinton could only dream of.

As a senior Clinton administration official puts it: "Labour now spends its time sitting around working out what it's going to do. We spent ours working out what we might be able to *propose*."

But the main lesson learned by Labour is about the way in which a modern party of the left implements its programme and, in this, the Labour leadership appears to have been a good student of the first Clinton administration. Labour advisers know that Mr Clinton's first two years in office were marked by political disasters that culminated in the rout of his party at the mid-term elections in the autumn of 1994.

The critical political lesson, the president's advisers now acknowledge, springs from the Clinton administration's retreat from the policies espoused during the campaign. Like Mr Blair, Mr Clinton had eschewed the big-government and liberal social policies of his predecessors. But he began his first term by proposing a budget containing large tax increases, pressing Congress for healthcare reform that would have partially nationalised much of the healthcare system, and urging the US military to admit homosexuals.

"When the electorate threw out the Democratic majority in Congress," wrote Mr Stanley Greenberg, Mr Clinton's poll expert in his first campaign, recently, "it was because the president and the party had failed to deliver on their promises". Sending a message that he would not follow the same path, on the night of his victory Mr Blair said: "We campaigned as New Labour. We govern as New Labour."

Senior US administration officials have certainly been impressed at the way Labour has begun. "Labour have already been much better at keeping their promises than we were," says one, ruefully.

But the challenge for the Democrats and for Labour was about more than just keeping campaign promises. Clinton officials who have been advising Labour believe some of the mistakes made by Mr Clinton stem from the political strategies that were employed to achieve electoral success and that were followed by Mr Blair.

In particular, the Clinton precedent suggested that a party that had been in rapid retreat from its traditional constituency and its long-held principles would quickly lose its way once in office. Mr Stephanopoulos warned Labour of the pitfalls in a speech in London immediately after the UK election. "Labour has to be very careful not to make its campaign seem hollow," he said.

But Labour seems to have learned the lesson and, once in office, in some areas has quickly unveiled more comprehensive changes than any new government has attempted in generations.

But to what extent will Labour's policies be borrowed from the US? Labour has kept a close eye on US policies, especially in the social arena, and has been following the administration's and states' "Welfare to work" efforts and some of the tougher anti-crime measures.

Yet it would be misleading to suggest there is a US blueprint for a Labour government. The US has long been the world's leading laboratory for social policy and Labour is no more or less enthusiastic than its Conservative predecessor about the opportunities to learn from US experience.

But there are signs that in the critical area of policy Labour may be interested in taking a cue from the US. On election night, Mr Gordon Brown, the chancellor, told confidants of his admiration for the US economic performance of the past five years – sustained growth, 12m new jobs and the lowest inflation and unemployment in a generation. All this has been achieved while European and Japanese economies have stagnated.

The keys to US success, Labour believes, are stable monetary policy, an improving fiscal policy environment, flexible labour markets and an openness to trade.

The decision to give the Bank of England operational control of monetary policy owed much to advice Mr Brown received from Mr Alan Greenspan, the chairman of the US Federal Reserve, two months ago, and Labour clearly hopes this will form the background of monetary stability. The new government now has to decide how far it wants to go in emulating the other elements of American success.

BOOK REVIEW – Leyla Boulton

FACTOR FOUR – Doubling Wealth, Halving Resource Use
by Ernst von Weizsäcker, Amory B. Lovins and L. Hunter Lovins
Earthscan, £15.99, 322pp

How to create a breathing space

It may be tempting to believe that the world can do little to combat such threats as global warming and population growth. But this book, written by three practical environmentalists, argues that action can, and must, be taken.

Society could, say the authors, improve the efficiency of its use of energy and materials at least fourfold. This would give the planet a 50-year breathing space to tackle problems such as global warming that are linked to a huge increase in fossil fuel consumption since the Industrial Revolution. It would also accommodate an expected doubling of population over the next half-century.

"A currently popular line of rhetoric maintains that any solution to these environmental problems will be very costly," say the authors. "What makes this wrong is the [potential] revolution in resource efficiency."

The first half of the book lists 50 examples of the products and services that could deliver such a revolution. These range from "hypercars", which consume a quarter of the fuel of today's vehicles, to electricity utilities which, the authors say, should be rewarded for saving energy rather than selling more of it.

The book's publication – ahead of the June 27 New York summit to assess progress in sustainable development five years after the Rio Earth Summit – is a timely manifesto. Having pledged to lead the way in pursuit of the holy grail of a development reconciling growth and environmental protection, developed countries have few achievements of which to boast.

The destruction of the world's forests has accelerated, not slowed. Emissions of manmade greenhouse gases, which are associated with global warming, have continued to rise in spite of the target the industrialised world has set itself of stabilising emissions by 2000.

If the west does not act it will be contributing to the world's "ecological ruin", the book says. It cannot wait for developing countries to catch up with the west on the assumption that, once rich, they will turn their attention to pollution control. Besides, the industrialised world is "characterised by levels of resource consumption" up to 20 times higher than in developing countries.

Against the argument that economic growth is already being driven by an increasingly efficient use of resources, the book sets out a persuasive case for governments to accelerate the pace of change. Businesses and consumers must be given an incentive to operate in a way that makes environmental, as well as economic, sense.

Ever since Malthus, who warned of unbearable population growth, there have been prophecies of doom about "unsustainable" growth. These have largely been confounded by technological progress. But although technology has stepped into the breach, it has not prevented a deterioration in the physical environment or the depletion to dangerously low levels of natural resources, the authors argue.

They reserve their fiercest criticism for "free-market economists", whom they accuse of professing the "naive belief . . . that existing markets are so close to perfection that any shortfall from the ideal is hardly worth examining". Rather, they say, companies and consumers must be given an incentive to make the kind of efficiency improvements sketched in the book's exhaustive first half.

One task is to rewrite national accounting systems. Any measure of wealth should include the effects of environmental degradation and resource depletion. Some governments, such as Sweden and the UK, are already trying to reform their accounts to reflect environmental costs, but the process is slow.

Another challenge is to make prices "tell the truth" by factoring in the environmental costs of particular goods and services. This means not only removing subsidies to environmentally damaging activities, such as over-fishing, but shifting the burden of taxation from labour to pollution.

The fuzziest part of their argument is the claim that capitalism has gone "too far" in substituting increased resource use for labour. Nor it is clear that, given greater leisure time, the inhabitants of the brave new world sketched by the authors would agree to make yoghurt at home – rather than buying it from centralised dairies – thus cutting out the environmental damage entailed in distribution.

Nevertheless, the job insecurity and welfare cuts in the industrialised world make the authors' call for a different definition of wealth worth thinking about. By focusing on solutions rather than problems, this book at least illustrates that the environment need not make either boring or depressing reading.

Factor Four, Doubling Wealth – Halving Resource Use is available from FT Bookshop by ringing Free-Call 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK

LETTERS TO THE EDITOR

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Contradictions in comments on Mediaset

From Mr Fedele Confalonieri.

Sir, Not for the first time, Mediaset is the object of tendentious and superficial information in the Lex column ("Media machinations", May 26). We are accused of facing "regulatory uncertainties", being "opaque", having, unspecified, "legal difficulties" and, therefore, constituting an uncompelling long-term investment.

On the first of these points, there is an inherent contradiction in talking about "regulatory uncertainties" while at the same time describing as "a resounding victory" the agreement reached last week on the establishment of an authority for telecommunications and the mass media: an agreement which constitutes the first step towards legislative certainty.

Quite apart from the polemical tone of the Lex column, and the evident low opinion of the independence of Italian legislators, it is a fact that the senate's approval is the result of the convergence between the governing majority and the opposition, and is the fruit of a responsive and responsible approach which indicates the partial overcoming of an outdated and ideological attempt to damage Mediaset and reduce its potential in the market.

That we are "opaque" is demonstrably false. We have been a listed company for almost a year. We have a large shareholder structure, amply represented on the board of directors. Furthermore, it is in our own best interests to ensure that the market is informed of our activities, strategies and results.

As for the claim that "many" of Mediaset's management are facing "legal difficulties", I would point out that not only is Mediaset not the object of any relevant investigations, but none of the group's management is under threat of prosecution for activities connected with Mediaset and its business.

If you had really wanted your readers to know whether Mediaset is a good investment for the future, as it has been in the past, it might have been better to point out that we have one of Italy's most advantageous payout ratios, our advertising revenues in the first quarter of 1997 substantially outperformed the market, and we have an articulated development strategy based on foreign expansion in Spanish-speaking markets, telecoms and digital television in Italy. All of which we would gladly have discussed, had we been asked.

Nevertheless, your article does bring some comfort. The track record of the Lex column, when dealing with Mediaset, is unequivocal. Looking back at previous comments, especially in April 1996 "vulnerable to government vitriol", in June "advertising revenue . . . lagging behind the competition" and, again in June, "many investors will give its flotation a miss", none of Lex's forecasts has proved accurate; an indication of a prejudicial and opinionated approach which does little for the authoritativeness of the Lex column but which favours Mediaset and its 230,000 shareholders.

Fedele Confalonieri,
chairman,
Mediaset,
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20121 Milan, Italy

Hong Kong reserves

From Mr Paul Serfaty.

Sir, Sir Anthony Bamford believes Hong Kong "effectively" becomes China on June 30, handing over her £55bn of reserves to the PRC. That is not the case.

Hong Kong's reserves have always been Hong Kong's, not the UK's, and they will remain Hong Kong's after June 30 because it will thereafter enjoy a legal system, a currency and budget process which are completely separate from those of China. These will be administered by an independent, Hong Kong based civil service, answerable to a government of local people, under laws passed by our own (imperfectly democratic) legislature. Only in foreign affairs and defence will Hong Kong look to China to represent its interests.

So, "No Sir Anthony", we will keep our own tax revenues in our own pockets.

Paul Serfaty,
Fourth Floor,
5G Bowden Road,
Mid Levels, Hong Kong

FT right to expose Mobutu's wealth

From Mr Adrian Hewitt.

Sir, It is inappropriate for Mr Giovanni Zocchi (Letters, May 23) to upbraid the Financial Times for publishing its exposé of Mobutu's ill-gotten wealth during the latter's days in office ("How Mobutu built up his $4bn fortune", May 12).

The beauty of your report was in the comprehensiveness of its compilation. All the elements could have been read in the FT's own columns, or those of other journals, over the last 30 years. (I was myself bumped off an Air Zaire flight in 1978 on the straightforward grounds that the president had requisitioned the aircraft for his coffee harvest. The admission came from the state airline itself.)

Perhaps Mr Zocchi should be informed that the Paris-based Le Monde ran your entire report over two pages in its issue of May 18 – precisely two days *after* Mobutu had fled the country and one day after Kabila's troops had taken Kinshasa.

Adrian P. Hewitt,
deputy director,
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Directors to stand up and be counted

Mr John A. Chudley.

Sir, With reference to Lex of May 21 ("Corporate governance"), may I offer another solution by quoting directly from the chapter entitled "Nepotism and Old Lace" in my book *Described as a Company Director.*

"That does not really quieten my conscience and I would hope that if they think about it, it would not quieten the conscience of the vast majority of directors of public companies who take their responsibilities seriously. Surely the shareholders are entitled to know something (and be reminded at each re-election) about the men and women who direct the companies in which they invest and surely the expenditure of one or two pages in the annual report would not be to much 'lip-service' to pay to their right to elect their directors.

"The bald statement in the annual report that 'Mr Smith and Mrs Jones retire by rotation and, being eligible, seek re-election' is just not good enough. A page with photographs, age, experience, number of meetings attended, a recommendation from the chairman and a statement from the director himself as to what he feels he can contribute to the board is surely the minimum courtesy that a shareholder is entitled to and, if well done, should add interest and humanity to what is normally a pretty dry document."

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COMMENT & ANALYSIS

FINANCIAL TIMES
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Thursday May 29 1997

Marshall revisited

The Marshall Plan, the 50th anniversary of which President Bill Clinton commemorated in the Hague yesterday, was the most successful example of enlightened self-interest in history. It helped Europe get back on its feet after the war and ensured that western Europe at least was stable politically and a functioning market. It pumped aid worth $13bn, or $88bn at current prices, into western Europe to get ruined industries started again.

When the Berlin wall came down some argued that the US and western Europe should show similar generosity. No such vision was forthcoming, but neither has it proved necessary. Although less grandiose and more pragmatic, the joint approach of Europe and the US has stressed precisely the elements of the Marshall plan which contributed most to its success. These were the opening up of markets and the creation of a favourable climate for private investment.

The big American corporations were among the first to invest, as they had earlier invested in the European Common market. There were some false moves in the early stages by the European Union, but it started to open its markets to central Europe's goods, allowing those countries to earn hard currency. The international financial institutions have stepped up their lending and multiplied their technical assistance providing, in some cases, vital balance of payments support in the early stages of radical economic reform. The European Bank for Reconstruction and Development was set up with a specific mandate to encourage private investment. After an inevitably slow start, private investment started to flow in.

This approach, which left the main burden of adjustment on the former communist states themselves, has been most successful in central Europe. Countries such as Hungary and Poland have become models for slower reformers further east. Even there, however, as the Czech Republic's recent currency turmoil demonstrates, the quality of the transition process depends heavily on institutional and legal reforms, including rapid privatisation and the establishment of transparent financial markets.

It is in this area that President Clinton has now called on America and Europe to continue "concrete support" for the fight against crime and corruption, stronger checks and balances against arbitrary power and backing for free and fair elections, free media and civic groups. Such support is not as visible as Marshall aid. But if there is one lesson which can be drawn from the post-war experience, it is that the environment in which markets operate is at least as important as the money that is pumped into them.

Fighting talk

Mr George Robertson, the new British defence secretary, has made some constructive proposals at the outset of the new Labour government's strategic defence review. He has accepted that the Ministry of Defence does not have a monopoly of wisdom when it comes to deciding how Britain should act in the world, and will ask outsiders to participate in the review.

He has also made an inclusive gesture in the direction of the opposition by offering to try to build a cross-party consensus on what Britain's defence priorities should be. Unfortunately, judging by the initial Conservative reaction – that the review was unnecessary – the auguries for such co-operation are not good.

Yet the difficulty in maintaining the full range of military activities within the MoD's budget, and the shift towards radically new technologies in warfare, are reasons enough for a fundamental look at the way Britain's defence is conducted. There is also a good case to say, now that the dust has settled after the fall of the Berlin wall, thet the time is right to assess what kind of defence Britain needs when the risk of general war in Europe has all but vanished.

If the review eventually produces a broad consensus that Britain wishes to continue to play an active role in world affairs, then the expertise of its armed forces is one contribution the UK can make to help in humanitarian efforts and in deterring aggression.

However, the shape of tha forces required for such tasks would be very different from the massed armour needed for a last-ditch shoot-out on the north German plain. Tomorrow's conflicts will require more mobile, more intelligent troops, armed with precision weapons, reconnaissance, and radar-avoiding stealth aircraft. They will also need the transport able to give them a global reach. All of this will eat deeply into the MoD's limited budget.

As a result, the UK may well have to conclude that it can no longer afford to intervene in all circumstances, but may be able to offer only selected military capabilities to a multilateral force. Such a conclusion would force the slaughter of many sacred cows, and upset vested interests from armed services to arms manufacturers.

Taking on these tough opponents will be difficult, even for a new government elected with a strong mandate. The temptation to hedge will be strong once tha lobbies under threat begin to fight back. Yet it would be disappointing if this effort degenerated into fudge. Labour was elected saying that it believes in strong defence: it should also be imaginative and bold in shaping those armed forces.

Bell rings

It would be premature to call the banns of marriage between AT&T, the US telecommunications company, and its grown-up offspring, SBC Communications. But even the possibility of incest on such a vast scala must raise questions.

The most important is: how could a giant merger between two companies which were forcibly separated 13 years ago be reconciled with the need to foster competition and open markets? SBC enjoys a near monopoly of local telephone services in Texas and California. It was among the seven Baby Bells spun off when AT&T was confined to the long-distant market.

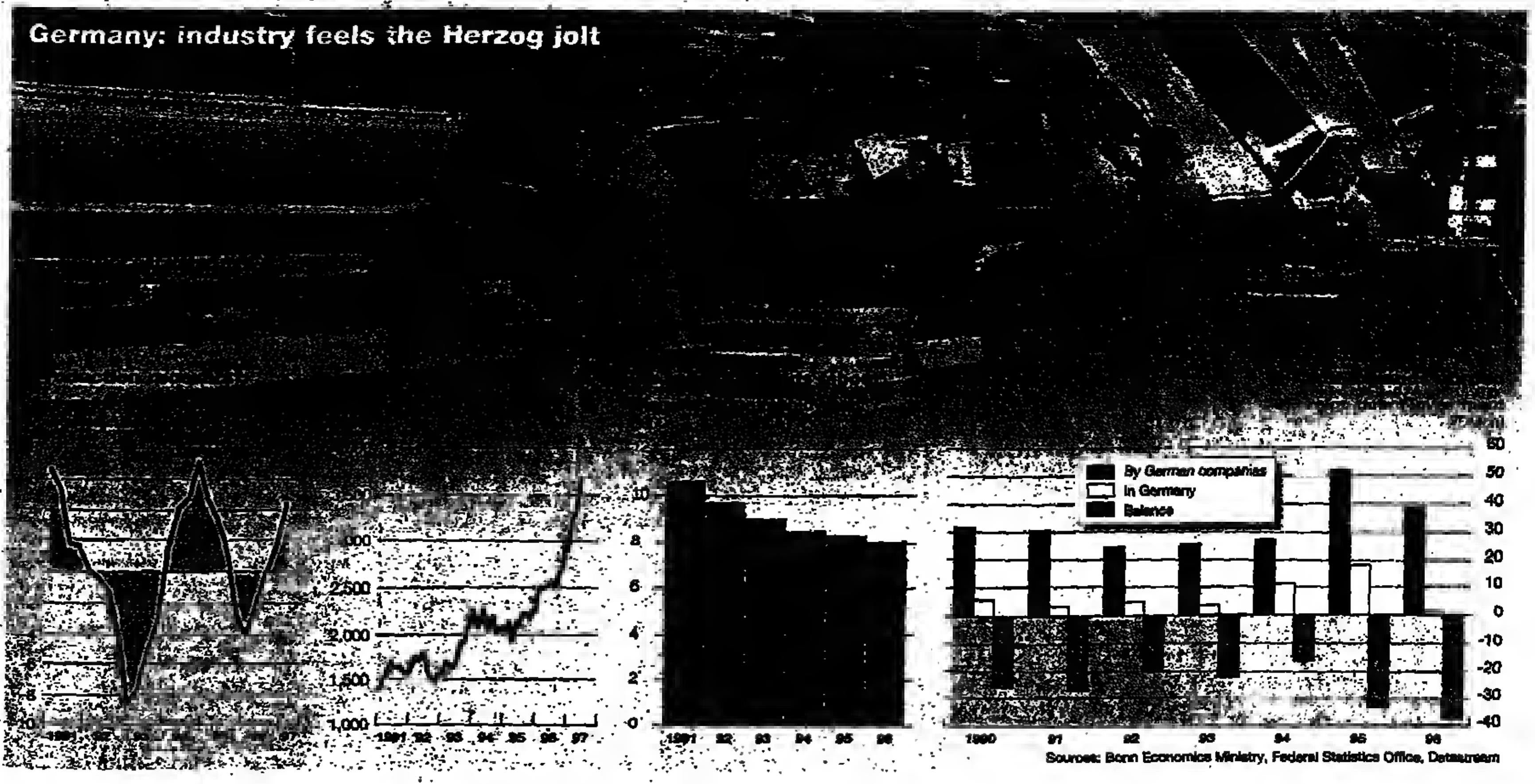
The loss of her offspring sent old Ma Bell into a decline. Deprived of guaranteed local revenues, the company relies on a market buffeted by keen competition and plunging unit costs.

So AT&T, like telecommunications companies across the globe, has been looking for partners. Its attempt to team up with European telephone companies has not looked impressive, particularly after the defection of Telefónica of Spain to the rival alliance between British Telecommunications and MCI of the US. So AT&T appears to be returning home, even though a deal with SBC might do more for the offspring than the parent.

Such an alliance could only be in the public interest if last year's US Telecommunications Act can be made to work better than hitherto. This act was intended to break the power of local monopolies by allowing all companies to compete in each others' areas. But despite its 600 pages, the act left many uncertainties to be decided by the Federal Communications Commission. These includad extremely difficult questions, such as how to unravel the cross-subsidies from carriers to local operators.

Nevertheless, the Act has encouraged mergers totalling some $120bn so far. In contested markets, victory may go to the strong, especially those with diverse interests. In this context, even as big a grouping as AT&T/SBC might not be seen to have excessiva market power. After all, SBC could hardly gain more of a monopoly in its own territory. And anything they could do together to prise open the markets in other parts of the US would be to the good.

No matter what alliances are struck, the commission's main task now will be to ensure that the Baby Bells are forced in practice to dismantle the many barriers against competition. So in the peculiar world of the Bell family, a deal which allowed the child to dominate the parent might just be worth trading for a promise to smash down the railings.



Turmoil and paralysis

German industry is learning hard lessons more quickly than the government in Bonn, argue **Peter Norman** and **Graham Bowley**

Mr Roman Herzog is a renowned purvayor of unpleasant truths. The German president recently said that the country was facing its "biggest challenge for 50 years" and needed a "jolt" to break out of a vicious circle of "resignation, blocked reforms and lost economic dynamism".

But for two sections of German society – its industrialists and their workers – the Herzog jolt is already a fact of life.

At company level, Germany is in a turmoil that contrasts starkly with the political paralysis and bureaucratic rigidities of German government. Faced with high costs at home and stiff competition from abroad, companies have decentralised, focused on core activities, stepped up foreign investment and adopted lean production techniques. Pay bargaining is in flux as increased competitive pressures undermine nationwide collective agraements, forcing flexibility on local managements and unions.

Progress has been uneven. Mr Roland Berger, founder and chief executive of the Munich-based consultancy that bears his name, believes restructuring has some way to go and that it could be five years before German industry reaches peak competitiveness.

But Mr Jürgen Kluge, a director in the Düsseldorf office of McKinsey, the consulting group, says: "There has been a quiet revolution in Germany's leading corporations." Citing Mercedes, the carmaking subsidiary of Daimler-Benz, Germany's biggest company, he says: "The best companies have been able to cut staff and raise output and are now poised to boost productivity through growth."

Germany's industrial revival has already had a profound effect ou society and the economy. Unemploymant, at about 4.3m and close to record levels, reflects the loss of nearly 2m industrial jobs in western Germany alone since 1991. The DAX stock market index, which closed on Tuesday at an all-time high of 3,674.36, mirrors the increased productivity and profits that have followed the labour shake-out and reforms at factory level.

Two decades ago, both statistics would probably have carried equal weight in German boardrooms. But now the DAX counts for more. Mr Jürgen Schrempp, chairman of Daimler-Benz, has gained notoristy in Germany for championing the idea of "shareholder value". Bnt he is not alone.

Mr Gerhard Cromme, chairman of engineering conglomerate Krupp Hoesch, lists the "sustained increase in the valoe of the group" as one of his "most important goals". Mr Hubertus von Grünberg, chairman of Continental, the tyremaker, says: "The focus of a company in a free market is its share price. And that is how it should be. That leads to competitiveness."

Reflecting the new sttitudes, companies are no longer afraid of radical change. Hoechst, the world's largest drugs and chemicals company, is making a controversial U-turn in its corporate strategy. Mr Jürgen Dormann, the chairman, has begun splitting the sprawling conglomerate into about a dozen separate companies.

"Portfolio restructuring" has become a way of life at companies such as Essen-based Krupp and Thyssen, its Düsseldorf rival. Krupp acquired or disposed of companies and activities with a turnover of DM3.3bn (£1.37bn) last year, about 13 per cent of group sales.

Daimler-Benz has aggressively refocused its activities and ruthlessly cut lossmakers such as the Fokker aircraft company. Daimler'e 1995 losses of DM6.5bn were the biggest in German corporate history. Following a strong recovery last year, Mr Schrempp was able to claim a "tangibla success in our efforts to make Germany more competitiva and make jobs more safe".

In the case of Continental, Mr von Grünberg has moved some production from Germany to Portugal, Thailand and the Czech Republic as part of a wider restructuring which has seen the loss of 10,000 jobs, or 20 per cent of the workforce, in six years.

Large-scale direct investment abroad is weakening the traditionally strong domestic roots of German corporations. About half the staff of Robert Bosch, the car parts and electronics group, now work outside Germany. Siemens, the electrical and electronics group, expects that most of its workers will be abroad in two years.

In general, large companies have invested in more distant locations to secure a position in fast-growing markets such as China or to develop niche activities, such as the manufacture of the Mercedes M-class "all-activity vehicle" and BMW's Z3 sports car in the US. "Wa now have a portfolio of businesses concentrated in markets that have growth rates more promising than before," says Mr Schrempp.

It is the small and medium-sized manufacturers that have tended to invest nearer to home in eastern Europe to benefit from lower costs and so cut the average cost of their production. In that way they can still exploit Germany's attractions as an industrial base.

"Machine building is not the shoe industry," observes Mr Michsel Rogowski, president of the German machine and plant builders' federation, and chairman of J.M. Voith, a non-listed engineering company. "It is much more strongly anchored in Germany witb high-quality knowhow and capital-intensive plants."

Staying at home, however, means a constant battle to innovate, streamlins production and control costs.

New production techniques, which increased productivity fourfold, have enabled Siemens to make a success of telephone manufacturs in Germany – a business that appeared threatened in the early 1990s. According to Mr Kluge, the success of leading industrial companies can be traced to the early 1990s when they decided to eliminate excessive complexity in their products.

At Volkswagen, the arrival in 1993 of Mr José Ignacio López, the controversial former General Motors executive, was followed by a revolution in relations with suppliers and substantial reductions in purchasing costs. Other companies are only just starting down this route. Mr Klaus Lederer, the new chief executive of Deutsche Babcock, found that the lossmaking engineering group had no fewer than 20,000 suppliers and that only 7,000 sold the company material worth more than DM50,000 a year.

Innovative bargains on pay and conditions at plant level have also helped managers pare labour costs. "There is a lot of flexibility in small companies in west as well as east Germany. So-called employment pacts allow companies to lower social costs, have more differentiated wages or introduce more flexible hours and so save overtime costs," says Mr Rogowski. "But the big companies, which are strongly unionised . . . have considerable problems. There are model schemes and ideas, but they are not sufficient compared with wbat is needed."

One such scheme, however, was agreed last month at Ford-Werke, the German subsidiary of Ford. A DM510m pre-tax loss on turnover of DM26.4bn last year was the incentive for its workers' councils to help craft an "investment protection" deal on flexible working and overtime costs that should help safeguard 34,000 jobs.

Other companies are seeking to involve employees as shareholders to spur production and productivity. Deutz, the Cologne-based motor manufacturer that was saved from collapse last year, has balanced cuts in employees' pay with share option schemes that will giva workers and managers a chance to share in the company's eventual recovery.

Henkel has introduced a share option scheme for about 180 top managers that links their income partly to an outperformance of Henkel shares against the DAX index.

There are still question marks about German industry's performance. Innovation is a potential weak spot, according to the Munich-based Ifo economic research institute. It reported that German patent applications were lagging behind international competitors in growth sectors such as biotechnology, semiconductors, aerospace, pharmaceuticals and optical instruments. The lack of government progress in reducing high business tax rates and limiting non-wage labour costs is also a handicap and a constraint on investment.

But the reversal over the past year of the D-Mark's strong rise in 1994 and 1995 has helped German industry recoup about one-third of the competitive disadvantage that it lost between 1989 and 1995. Between 1990 and 1996, soaring unit labour costs helped push down Germany's share of world exports to 9.8 per cent from 12 per cent.

After years of pain in which the emphasis was on cost-cutting and restructuring to catch up with world leaders, there are signs that some sectors, led by the motor industry, are beginning to expand.

At McKinsey Mr Kluge recalls how between 1989 and 1994 he was pessimistic about German industry's prospects. "But from 1994 I began to be optimistic and now I am really optimistic about those companies that are serious about restructuring."

Mr Berger believes the negative effects of industry's jobs shake-out and direct investment abroad on public spending and tax revenues could even force the Bonn government to embrace change.

"If corporate restructuring carries on as up to now," he says, "there will either be s big split between the government and the corporate world or a government which finally addresses reforms."

OBSERVER

Bandai lays an egg

[illegible]

started in the UK, charging $1.60 an hour. If that fails and the cheerful cheeper passes on to a better virtual place, a support group for the "bereaved" has been set up in Toronto. And lest memories fade, a Buddhist temple in Hiroshima has set up a virtual graveyard on the internet, where the spirits of 5,000 late lamented digital darlings already rest in peace.

Avon calling

■ There's been a bit of a ding-dong at Avon Products, the US door-to-door cosmetics company that these days peddles pulchritude from Romania to Vietnam. Edward Robinson, president and heir-apparent to the top job, has stalked out in a huff after being told that James Preston, chairman and chief executive, had no plans to make way for a successor for at least two years.

Robinson, previously chief financial officer, is credited with helping engineer Avon's turnaround from its financial difficulties a few years ago. But with the company now out of the mire, the board apparently wanted sales and marketing experience in the top job, not a financial man.

The company is looking within for a new heir-apparent, or possibly an heiress. Oddly, perhaps, Avon has never yet had a female chief executive: but with three women executives among the contenders for the number two position, we may yet see an Avon lady at the top.

Off the hook

■ Life may be less exciting, though less exhausting, at the US Federal Communications Commission after Reed Hundt's decision to stand down as chairman as soon as s replacement is found. His eight-year-old daughter – whose complaints were among the main reasons cited for his abrupt departure – was not the only person who groused about his working hours.

The 49-year-old lawyer liked to convene large, long brainstorming meetings at all hours with only pizzas for sustenance. Scott Blake Harris, former head of the communications regulator's international bureau, says participants were "drained of everything they knew", though "unlike most large meetings you came out with policies adopted and tasks assigned".

Hundt has done battle with cable operators, telephone companies and broadcasters, and may need to call in the policy wonks a few more times before he steps down. Decisions are pressing on issues from TV ownership rules to demands by local telephone operators for the right to offer long-distance services.

Once these are out of the way, Hundt should be able to concentrate on two literary projects: a book about the communications revolution and a novel about Yale in the late 1960s. He might also find a moment to reminisce about playground pranks with his high school buddy Al Gore.

Wacko Warsaw

■ It was hard to say who was more excited by pop star Michael Jackson's 24-hour visit to Warsaw yesterday – the squealing youngsters or the city's politicians who were hoping some popularity might rub off on them. Jackson was looking for sites for a $100m family theme park he says he wants to develop in the Polish capital.

Perhaps wisely, he used a helicopter to get around. Traffic jams are increasing, partly because of poorly co-ordinated roadworks, and Warsaw motorists wonder if a city that can't sort out the traffic can co-handle a complex project that will attract even more cars. The city's councillors have probably lost motorist support for the autumn's elections. Maybe yesterday will help swing the youth vote.

The Financial Times

100 years ago

The American Sugar Tariff
Washington, 28th May. In the Senate to-day, Mr Tillman introduced a resolution reciting certain reports that Senators had speculated in sugar and that speculators in New York had been supplied with information in advance concerning the Sugar Schedule, and proposing that a Committee should be formed to inquire into the charges made in 1894, and into the methods of the sugar trust, and whether any of its members had contributed to or controlled the election of any Senator.

50 years ago

Malaya Estates Face Closing
Singapore, 28th May. Mr. S.B. Palmer, President of the Malayan United Planting Association, said to-day that if there was no appreciable rise in the price of rubber soon, "many rubber estates will be forced to close down." He predicted a loss of 200,000,000 Straits dollars to the Malayan rubber industry if the fall in the price of the commodity was maintained for the year. Rubber producers and dealers met in Singapore to-day to discuss the causes of the recent price declines.

FINANCIAL TIMES
Thursday May 29 1997

Strike lifts palladium price to eight-year high

By Kenneth Gooding
Mining Correspondent

Palladium, a metal essential for some electronic components and for catalytic converters that remove pollutants from car exhausts, was "fixed" in London yesterday at US$186 a troy ounce, its highest level since 1989.

The sudden jump was triggered when an unofficial strike at South Africa's Rustenburg platinum-palladium mine caused concern in e market critically short of palladium.

Russia, which accounts for ebout 70 per cent of the western world's annual requirement of about 6m ounces – has exported no palladium this year, because of bureaucratic hold-ups.

US speculetors belped to push the price up further in late trading yesterday. In London, palladium for immediate delivery closed at $196.50 an ounce, up $20.25, or 11.5 per cent, since Tuesday's close. In New York, palladium for delivery in June reached $200.

The shortage of physical palladium was reflected in the cost of borrowing the metal for one month, which yesterday reached an unprecedented 50 per cent compared with the usual 2 to 3 per cent.

Mr Andy Smith, analyst et Union Bank of Switzerland, doubted wbetber the strike would have e real impact, but said it was the last straw for people who had sold short.

Some speculators had been selling short – that is, selling palladium they did not have for a future delivery in the hope that the price would fall and they could pocket a profit – because they expected Russian exports to begin soon.

However, Mr Mike Steel, research director at Johnson Matthey, the world's biggest palladium marketing group, said last night: "Russia still says exports are almost on the point of happening but nothing is happening.

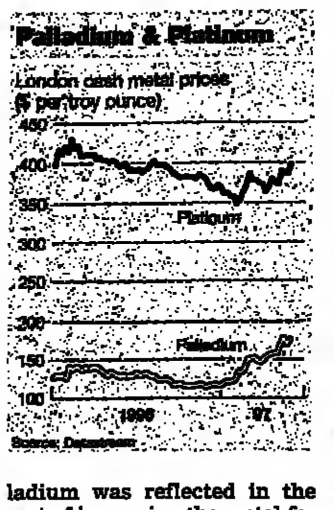
"No export licences have been granted yet."

He said the situation was of great concern to the industry. "Once the palladium price hits $200 [an ounce], it will push electronic component producers to look harder for alternatives, and might even cause the auto industry to look for substitutes, too."

Apart from its use in some catalytic converters, palladium is present in most multilayer ceramic capacitors used in portable electronic equipment such as mobile telephones and laptop computers.

Palledium hit its highest unofficial price in London in March 1980 at $335 an ounce.

Palladium & Platinum



Travel industry launches microchip smartcard

By Scheherazade Daneshkhu and Paul Taylor in London

General purpose microchip smartcards are to be introduced in the US under a travel industry schems announced yesterday.

Travellers will be abls to use the card for checking in and out of hotels, electronic airline ticketing and charge card payments.

The launch, by a consortium of American Express, International Business Machines and Hilton Hotels Corporation, represents a breakthrough for smartcard technology in the North American market.

Mr David Boyles, senior vice-president at American Express, the charge and credit card issuer, said yesterday: "We have merged the air, hotel and normal credit card capability on to one card."

Although smartcards – plastic cards with an embedded computer microchip – have been used in some European countries including France, Germany and the Netherlands for a number of years, the US has lagged behind.

The chips can store much more information than traditional magnetic stripes and are seen by many analysts as the key to electronic commerce in the future. They are also more secure than ordinary credit cards and may therefore help combat fraud.

Several thousand frequent travellers are being issued with an American Exprese corporate card or a Hilton Hotels card containing an IBM-designed computer chip.

The pilot scheme involves eight US Hilton airport hotels. The consortium eaid it planned to start the scheme nationally and tben internationally.

Smartcard users will be able to bypass the botels' front desk and check in by inserting the card into a multimedia kiosk in the lobby. The kiosk selects a room based on the traveller's preferences, issues a key and prints directions to the room.

Customers can update their preferences or insert new information such as change of address. They will be able to check out and have the bill put on their American Express account.

Air passengers will be able to use their card to obtain and pay for airline tickets on the spot. The scheme will initially be confined to Americen Airlines, but IBM said yesterday it could be extended to other airlines' customers.

Dataquest, the IT research group, has predicted that the number of microprocessor-based emartcards will jump from just 84m in 1995 to 1.2bn in 2001.

THE LEX COLUMN

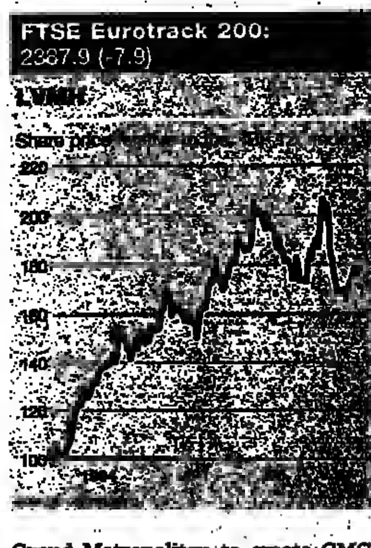
Bursting the corset

The debate over European monetary union has shifted dramatically. Until recently, it still seemed possible that the financial convergence criteria of the Maastricht treaty would be strictly interpreted. No longer. Both France and Germany, twin pillars of the project, have now effectively come down in favour of a flexible approach to qualification, which favours a broad-based Emu. The French electorate has shown it is fed up with fiscal rigour, yet more is required if France is to meet the Maastricht criteria. Since Emu without France is inconceivable, its membership must presume a broader reading of the criteria. Germany, meanwhile, has abrogated the right to argue for a narrow Emn by resorting to creative accounting with its gold reserves. The shabby motive behind these plans justified the angry broadside delivered yesterday by the Bundesbank.

Still, no tears need be shed for the buckling of tbe Maastricht approach to Emu. A narrow focus on financial convergence has always been misplaced, the key issue being the extent of real economic convergence. In particular, Emu aspirants need to show sufficient convergence in long-term productivity growth and e reasonable correlation of business cycles to join togetber euccessfully. Yet researcb from Goldman Sachs shows that, in both areas, likely participants have been diverging, and the picture gets worse if Emu is broadly constructed. To aggravate matters, labour markets are too inflexible to compensate for this divergence, while the stability pact effectively removes any room for manoeuvre on the fiscal side.

The upshot is that Emu, as currently constructed, looks like a recipe for trouble. Curiously, these risks are barely reflected in the pricing of financial assets. A loosening of the fiscal corset would probably be good for European equities, but bad news for bonds. Theoretically, the Bundesbank's intervention is good news for bond-holders. But a spat between Bonn and Frankfurt is hardly an advertisement for holding German assets. The Swiss franc and sterling may yet be beneficiaries.

FTSE Eurotrack 200: 2387.9 (-7.9)



GMG Brands/LVMH

The allegedly cordial relations between Guinness and its largest shareholder, Mr Bernard Arnault's LVMH, have indisputably soured. Guinness's proposed merger with Grand Metropolitan to create GMG Brands was a British solution to sluggish global spirits markets. It did little for Guinness'e French partner LVMH. Indeed, it was structured in an apparently Arnault-proof manner, so he could not throw e spanner in the works. Guinness plans to issue new shares to Grand Metropolitan, arguing that there is no change of control.

But Mr Arnault has now found a form of spanner, through legal advice that the deal represents a "control event", whatever that means. He is threatening a long legal fight to extract Guinness'e distribution joint ventures with Moët Hennessy and its stake in MH at a knock-down price. If he won, GMG could lose up £1bn of value – 4 per cent of its market capitalisation, but still a substantial sum.

GMG appears to have a strong case, but no-one likes protracted legal battles in foreign climes. So Mr Arnault has definitely won a seat at the negotiating table. Compensation might satisfy him, and could be worthwhile to GMG to avoid the legal fees. But his end-game could be to gain a stronger position for extracting a full price for his 66 per cent of MH. And given the cost benefits from swallowing all of Moët Hennessy, GMG might be able to offer a price LVMH could not refuse – despite its natural reluctance to swap French brands for more cash.

Sega/Bandai

So the merger of Sega and Bandai has turned out to be as virtual as Bandai's Tamagotchi virtual pet. This is no bad thing. Far from creating a Japanese Walt Disney, the marriage of Sega's video games with Bandai's toys always looked a Mickey Mouse affair: short on benefits while both companies were long on problems.

Forced to soldier on independently, both now have a chance to address their fundamental weaknesses. Sega is certainly starting to send out the right signals. This year it is promising to halve shipments of its Saturn games console, whose inferior technology has lest the group billions of yen. Instead it will focus on its profitable software and arcade games, allowing it to forecast a 60 per cent rise in profits for 1997/98. Bandai is also more optimistic, predicting a return to profits on the back of soaring sales of its Tamagotchi. Arguably its middle ranking managers, who torpedoed the merger, were right to maintain that being absorbed by Sega would heve stifled the creative culture that produced hits like the virtual egg. But when the egg goes off, Bandai's creative types will have to invent a new blockbuster. Meanwhile top management's grip on the company must now be in serious doubt.

That is hardly comforting for Bandai's investors. Then again, while the interests of employees and managers were hotly debated during this whole episode, shareholders did not even rate a mention.

Windfall tax

The utility pips are certainly squeaking at the prospect of Britain's windfall tax – in some cases bizarrely so. Take Anglian Water's engagingly dotty suggestion that any windfall tax could only justifiably be spent in the company'e local area. Fair enough in principle perhaps, but the mind boggles at the practicalities. Would a BAA tax be spent on the lucky residents of Heathrow?

More seriously, Anglian's argument dangerously misses the point. The windfall tax is not a bad tax because it will be badly spent but because it is to be badly raised – retrospectively and damaging Britain's reputation for fair dealing. Suppose the government pointed out that lots of windfall tax presumably will be spent in Anglian's region. Does that make it fair? Not in the slightest. Anglian surely has no intention of legitimising the tax, but that is precisely the danger.

Additional Lex note on Thorn, Page 20

Germany's gold plans

Continued from Page 1

forced to break the news blackout surrounding Its discussions to deny rumours thet Mr Hans Tietmeyer, the Bundesbank president, was resigning.

When it became clear that the central bank would issue e statement yesterday evening, Mr Waigel cancelled e speaking engagement in Augsburg near his Bavarian bome and stayed in Bonn.

Mr Waigel's plan to revalue the Bundesbank's 95m ounce gold hoard and use the proceeds to help meet the Maastricht debt and deficit criteria was first disclosed two weeks ago, wben be made a lightning visit to the previous central bank council meeting.

Intel sues

Continued from Page 1

PCs and servers. In its lawsuit the chipmaker also says Digital has refused to return information relating to the next version of the Pentium II chip. These documents and materials are covered by a "non disclosure agreement" whicb, according to Intel, specifies that they must be returned upon request.

The materials were "necessary for Digital to maintain competitive Intel-based product offerings," Mr Thomas Siekman, Digital general counsel, said in e letter to Intel.

Digital purchases over $250m worth of Intel products e year, according to Mr Siekman'e letter.

Japanese business leaders aim to curb shareholder action

By Gillian Tett in Tokyo

Japanese business leaders are lobbying parliament to make it harder for sharebolders to sue directors for corporate wrongdoing.

The *Keidanren*, Japan's powerful business federation, wants legislators to curb shareholder activism after an unprecedented surge in the number of legal actions against company directors.

Some 270 shareholder cases bave been brought against companies and their directors, including about 30 against leading companies.

This week Dai-Ichi Kangyo Bank, Japan's second largest commercial bank, became the latest high-profile potential target of shareholder activism after revelations that for more than a decade it had made questionable loans to *sokaiya* – corporate racketeers.

Executives at Nomura Securities, the country's largest securities house, already face lawsuits over disclosures of illicit payments to gangsters to avoid threatened disruptions et shareholders' meetings.

Directors at Takashimaya, Japan's oldest retailer, were recently forced to pay Y170m to shareholders over another wave of revelations of *sokaiya* payments, and executives at Sumitomo Corporation are being sued for failing to prevent last year's scandal over copper trading losses.

Japanese business leaders, who enjoy close ties with politicians, fear the new activism is leaving them personally too vulnerable to legal action. "We just think the trend has gone too far," says a senior member of the *Keidanren*.

Lawyers have traditionally exerted little sway in Japan, wbere companies bave preferred to settle disputes out of court. Sbarsholders bave enjoyed relatively few legal rights and the surge in legal ection has been welcomed by lawyers as a sign of improving corporate governance.

Mr Hitoshi Yamada, of the Tokyo Bar Society, said: "We should welcome the fact that shareholders are becoming more conscious of their responsibility."

He added that Japan, which is undergoing a big bang in financial reform, would see the number of lawsuits rise as deregulation proceeded.

The last time the government eased the legal code making it easier and cheaper for shareholders to sue was in 1993. *Keidanren* officials argue that many cases were begun for malicious reasons and thet the 1993 changes sbould be reversed to ensure that only genuine complaints are heard in court. But Mr Yamada says tbe Bar Society finds it "strange that tbe business leaders say they want more deregulation, but also [want to] reduce their liability".

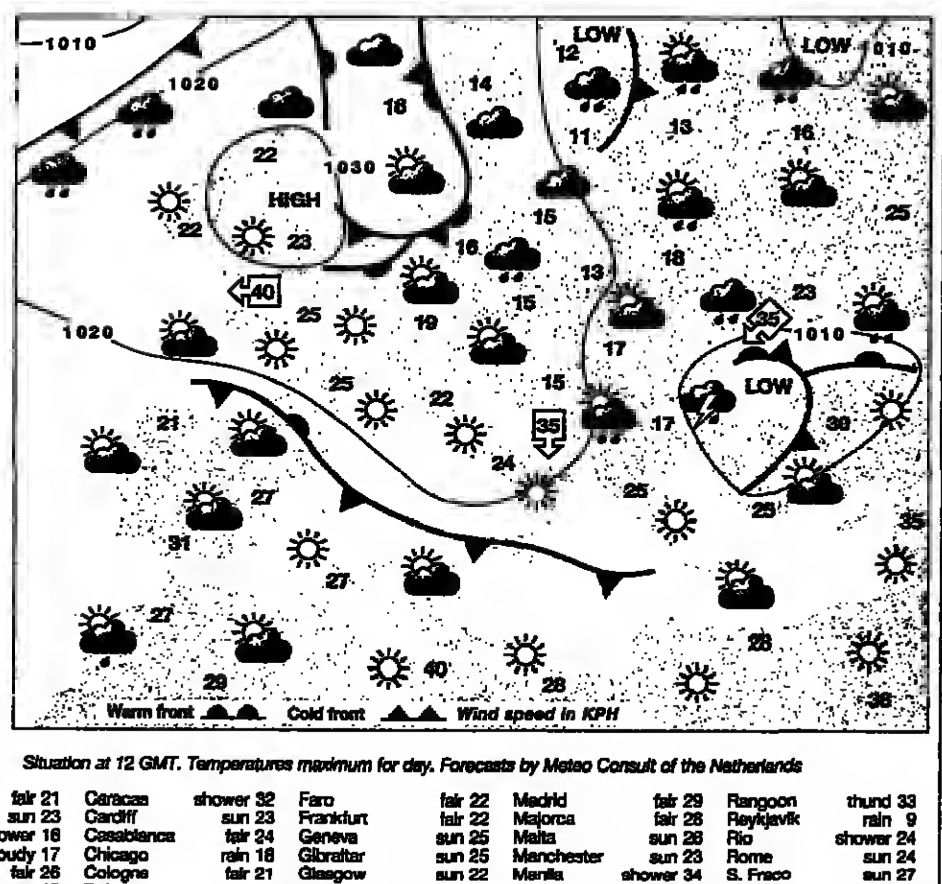
FT WEATHER GUIDE

Europe today

High pressure over the North Sea will give settled conditions with bright sunshine in the British Isles. Meanwhile, a weak disturbance will direct cloud into Denmark, northern Germany and parts of the Benelux. France and the Iberian peninsula will be sunny but isolated thunder will develop in the Cantabrians and the Pyrenees. Temperatures will range from around 20C in the UK to 30C in Andalusia. The Alps, Italy, southern Greece and most of Turkey will be sunny. There will be heavy rain in Romania and Moldavia. The Balkans, Poland, Russia and the Baltic states will be mainly cloudy with showers.

Five-day forecast

High pressure will continue to promote fine, warm conditions across the British Isles, the Benelux and France. Unsettled and unseasonably cool conditions will continue across eastern Europe.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	fair 21	Caracas	shower 32	Faro	fair 22	Madrid	fair 29	Rangoon	thund 33
	Celsius	Belfast	sun 23	Cardiff	sun 23	Frankfurt	fair 22	Majorca	fair 28	Reykjavik	rain 9
Abu Dhabi	sun 39	Belgrade	shower 16	Casablanca	fair 24	Geneva	sun 25	Malta	sun 28	Rio	shower 24
Accra	thund 31	Berlin	cloudy 17	Chicago	rain 18	Gibraltar	sun 25	Manchester	sun 23	Rome	sun 24
Algiers	fair 27	Bermuda	fair 26	Cologne	fair 21	Glasgow	sun 22	Manila	shower 34	S. Frsco	sun 27
Amsterdam	fair 18	Bogota	shower 18	Dakar	sun 27	Hamburg	cloudy 16	Melbourne	shower 15	Seoul	shower 25
Athens	fair 26	Bombay	sun 33	Dallas	sun 30	Helsinki	shower 15	Mexico City	shower 28	Singapore	shower 33
Atlanta	cloudy 19	Brussels	fair 21	Delhi	sun 36	Hong Kong	fair 28	Miami	fair 32	Stockholm	fair 14
B. Aires	cloudy 15	Budapest	cloudy 17	Dubai	sun 38	Honolulu	fair 31	Milan	sun 22	Strasbourg	sun 23
B.ham	fair 23	C.hagen	cloudy 15	Dublin	sun 21	Istanbul	shower 21	Montreal	fair 24	Sydney	fair 20
Bangkok	thund 35	Cairo	sun 31	Dubrovnik	fair 20	Jakarta	fair 32	Moscow	cloudy 13	Tangier	fair 24
Barcelona	fair 24	Cape Town	fair 19	Edinburgh	fair 21	Jersey	sun 18	Munich	fair 20	Tel Aviv	sun 28
						Karachi	sun 36	Nairobi	fair 28	Tokyo	fair 22
						Kuwait	sun 44	Naples	sun 24	Toronto	cloudy 23
						L. Angeles	sun 30	Nassau	fair 30	Vancouver	fair 22
						Las Palmas	fair 25	New York	fair 23	Venice	sun 21
						Lima	fair 25	Nice	sun 25	Vienna	cloudy 17
						Lisbon	fair 24	Nicosia	sun 31	Warsaw	shower 16
						London	fair 25	Oslo	cloudy 17	Washington	fair 22
						Lux.bourg	sun 22	Paris	sun 25	Wellington	fair 13
						Lyon	sun 26	Perth	sun 21	Winnipeg	fair 23
						Madeira	shower 21	Prague	cloudy 16	Zurich	sun 20

هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 29 1997
Week 22

IN BRIEF

Nestlé prices up as coffee soars

Nestlé, which has 55 per cent of the UK instant coffee market, announced that it was raising its prices by 5 per cent as futures market prices hit fresh 20-year highs. Page 24

Owens buys Fibreboard for $515m
Owens Corning, the building materials company, has bought Fibreboard Corporation in s deal valued at $515m, excluding debt. Page 16

Daimler Benz set for increased profits
Daimler Benz, Germany's biggest company, is set to record a "substantial" increase in sales and *operating profit after revenues rose* 15 per cent in the first four months. Page 19

Thorn to return £87m to shareholders
Thorn sprang a double surprise on investors when the rental group announced it was returning £87m ($141.8m) to shareholders, but taking a £17m provision for litigation proceedings in the US. Page 20

Fortis hails MeesPierson contribution
Fortis, the Belgian-Dutch financial group, hailed MeesPierson, the Amsterdam merchant bank taken over from ABN Amro, for its contribution to s 30 per cent jump in profits. Page 18

Anglian Water posts 12.8% fall
Anglian Water of the UK reported a 12.8 per cent *fall* in pre-tax profits to £208m ($339.04m) after provisions for poor-performing foreign deals and restructuring. Page 20

Ciba Specialty reduces prices
Ciba Specialty Chemicals, which was spun off from Novartis, the large Swiss pharmaceuticals group, earlier this year, has begun cutting prices in an effort to increase market share in its core businesses. Page 19

Canal Plus, Pathé to form network
Canal Plus and Pathé, two of France's largest *media* and entertainment groups, are joining forces to form a pan-European network of film distribution companies. Page 18

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Holzmann	502	+	9
Falls			
BMW	1422	−	55
Deutsche Bk	98.20	−	1.58
Linde	1218	−	35
Porsche	2164	−	21
Varta	279.50	−	9.40

NEW YORK ($)			
Rises			
Chas Schwab	39⅛	+	3⅛
Ingram Micro	25½	+	1⅞
Mestek	19¾	+	2½
Falls			
Alcatel Als	22⅞	−	1⅛
Compagnie Gen	16	−	1¼
CUC	23⅛	−	2⅛

LONDON (Pence)			
Rises			
Allders	215	+	11
[illegible]	86½	+	7
Hartlepool Wtr	257½	+	62½
Falls			
Grandmet	581	−	15½
Guinness	582	−	14
MAID	194½	−	8

TORONTO (C$)			
Rises			
Mosaid Tech	15.50	+	2.00
Schneider	12.00	+	0.85
Zenon Env	13.00	+	0.70
Falls			
[illegible]	10.00	−	0.75
Nat'l Sea Prod	9.25	−	0.60
[illegible]	11.75	−	0.65

PARIS (FFr)			
Rises			
Taittinger	2330	+	80
Falls			
AGF	175	−	11
BNP	233	−	17.90
Danone	870	−	28
Pinault Printmp	2342	−	125
Societe Gen	615	−	41

TOKYO (Yen)			
Rises			
Alps Elec	1610	+	80
Citizen Watch	918	+	36
Kyowa Hakko	880	+	69
Nisshinbo Ind	1020	+	60
Toyoda Autom	2470	+	140
Falls			
Toyo Tst & Bkg	785	−	23

HONG KONG (HK$)			
Rises			
CDL Hotels	3.50	+	0.20
Haeco	23.70	+	0.75
Hopewell Hldgs	4.22	+	0.22
Sime Dar	8.90	+	0.10
Falls			
First Pacific	10.15	−	0.40
Shaw Bros	8.05	−	0.20

BANGKOK (Baht)			
Rises			
People's Gmt	9.10	+	0.80
Precious Ship	50.00	+	4.00
Falls			
Amer Standard	152.00	−	16.00
IFCT	42.75	−	4.50
Land & House	28.00	−	17.50
Thai Rubber	39.25	−	4.25

New York & Toronto prices at 12.30

Companies report contrasting results after merger is called off

Sega profits rise strongly

By Michiyo Nakamoto in Tokyo

Sega and Bandai, the two Japanese companies who called off their merger yesterday, have reported contrasting results for the year to the end of March.

Shares in Sega, the video games maker, rose by Y80 to *close at Y3,780 ($32) after the* company reported a strong rise in annual sales and profits.

Bandai – the toymaker which makes the popular Tamagotchi "virtual pet" – reported a net loss for the last financial year, prompting a fall in its share price and an offer of resignation from its president, Mr Makoto Yamashina.

On Tuesday Sega and Bandai abandoned their plans to merge because of opposition to tha deal within Bandai. Mr Yamashina's offer to resign came amid mounting criticism of his handling of the affair.

Group sales at Sega rose 13 per cent to Y432.8bn from Y384.4bn whils pre-tax profits nearly tripled to Y12.9bn from Y4.4bn. Net profits were halved to Y2bn after an extraordinary write-off related to a subsidiary.

Sega attributed its better sales and pre-tax performance on its commercial arcade games machines and the *Print-*Gokko photo machines.

However, the disappointing performance of Sega Saturn, the 32-bit video games machine, depressed the consumer products division, where sales fell 3 per cent.

*Sega's losses from the Sat*urn are estimated to have been Y10bn last year.

Sega expects the loss from *Saturn to shrink this year.* As a result, group profits this year are expected to rise to Y21bn and net profits to rise to Y3bn on lower sales of Y390bn.

Bandai, meanwhile, blamed *lower sales and sluggish* demand for its mainline character products and video games software for its fall into Y7.9bn *net loss from* Y10.4bn profit. Consolidated sales dropped 8 per cent to Y200.3bn and the group suffered a pretax loss of Y1.8bn, compared with a profit of Y19.7bn. Sales *of Bandai's Power Ranger* characters slumped to Y11bn in the US, from Y20bn previously while in the UK sales *slipped to* Y3.2bn *from* Y4bn.

Video games software did not fare well either. Of 13 items launched for Sony's PlayStation, only three sold more than 100,000 units.

Bandai is pinning its fortunes for this year on Tamagotchi, which is expected to sell 20m units worldwide by next *March. As a result,* Bandai expects to return to profit on sales of Y230bn. The combination of the results and the collapse of the merger triggered a 3 per cent fall in the company's share price, which lost Y90 to close at Y2,670.

Bandai puts eggs in one basket: the toymaker made a loss last year, but has high hopes for the 'virtual pet' product Picture Reuter

Observer, Page 11
Lex, Page 12
Hearts and Minds, Page 14

SMH sees sales grow at start of year

By William Hall in Zurich

SMH, Switzerland's biggest producer of watches, has seen "very significant" *sales growth* in the first four months of 1997.

But the group, which produces the Swatch brand, warned yesterday that a long awaited recovery in profits still depended heavily on sales in the last three months when most of its watches are bought.

Mr Nicolas Hayek, 69, the *Beirut-born entrepreneur* who rescued SMH from near bankruptcy in the early 1980s, told the group's annual press conference that its sluggish performance last year was due mainly to weak sales in the last quarter of 1996.

SMH's net income has fallen sharply from its 1993 peak of SFr441m ($310.5m). Many investors had expected that the group's involvement in last year's Olympic Games as the official timekeeper would have boosted performance.

However, SMH's 1996 sales rose by less than 6 per cent to SFr2.8bn and its net income rose by just 3 per cent to SFr282m.

SMH's bearer shares have substantially underperformed the stock market this year even after yesterday's SFr6 rise to SFr863.

Mr Hayek, one of Switzerland's more colourful business figures, has blamed much of SMH's poor performance over the last few years on the tight money policies of the Swiss National Bank which contributed to an over-valued exchange rate, damaging the group's export competitiveness.

Yesterday he complimented the new management of the SNB which has relaxed Switzerland's tight monetary stance in the past year. He said that he was "very proud of them".

Mr Hayek used the press conference to defend his group's long-term performance. Although the company is earning less than it was five years ago, he listed a string of statistics emphasising its 10-year record.

Sales had grown at a compound annual growth rate of 4.6 per cent per annum and net income by 14 per cent per annum during a period when Switzerland's inflation rate averaged 2.8 per cent.

Yeltsin changes Gazprom share rules

By Chrystia Freeland in Moscow and Robert Corzine in London

Russian President Boris Yeltsin yesterday issued a decree effectively banning foreigners from buying domestic shares in Gazprom – Russia's biggest company – and liberalising trade in the internal Russians-only market.

The presidential decree is aimed at ending the long-running controversy surrounding Gazprom's complex two-tier market structure. It also lifts most restrictions on the buying and selling of the domestic shares by removing Gazprom's veto over individual trades.

Mr Yeltsin's decree is an effort to divide clearly the foreign and domestic markets in Gazprom shares.

Theoretically, the domestic market is closed to outside investors, but foreigners have bought shares through various grey funds, vehicles established by foreign fund managers to exploit legal loopholes.

Buying shares on the local market has been attractive because they are trading at about one third the price of the stock offered to foreigners.

Gazprom welcomed the decree, saying that it sought to close these loopholes by establishing a broad definition of foreign investors and reaffirming that they are not allowed to buy domestic stock.

However, it also offers some solace for existing grey funds, which have already bought into the local market.

These will be allowed to keep current holdings, but not buy additional shares. If they wish to sell their stock they must do so on the closed, domestic market.

The grey funds have posed an enormous problem for Gazprom because of the complicated relationship between the domestic and foreign markets.

As the gray funds became increasingly popular vehicles for outside investment, the share price on the more expensive foreign market tumbled.

However, because of the significant capital inflows into the domestic market through the gray schemes, company officials feared closing them down would hurt that market.

In an effort to prevent the domestic market weakening because of the tougher restrictions on foreign ownership, yesterday's decree also liberalises the internal market.

In the past, Gazprom has enjoyed a veto on all sales of shares on the internal, secondary market. According to the new decree, authorised Russian exchanges and professional organisers of trades will be allowed to freely buy and sell Gazprom stock.

Western bankers said the move to ease the Gazprom veto on share sales was positive.

Eurotunnel investors call for new restructuring deal

By Andrew Jack in Paris

Shareholders in Eurotunnel, operator of the lossmaking Channel tunnel rail *link*, are attempting to renegotiate the terms of the restructuring deal announced last year with the group's bankers.

Mr Christian Cambier, head of the Eurotunnel shareholders' association, said yesterday *that he was trying to change* the terms of the FFr9.6bn ($1.67bn) "participative loan", repayments on which would consume 30 per cent of the company's available net cashflow.

His efforts come ahead of publication today of the restructuring prospectus drawn up by Eurotunnel and its principal bankers, which will form the basis of voting at an *extraordinary* general meeting of shareholders set to take place on July 10.

The prospectus is expected to show that *Eurotunnel* would break even in 2005 or 2006. The document will also provide projections of a signifi*cant increase* in *traffic* volumes in the next few years.

However, Mr Cambier stressed that a vote on the *plan at the* extraordinary general meeting would be less dependent on the details – many of which are already known – and more on modifications to Eurotunnel's operating conditions.

The participative loan matures between 2038 and 2040, but can be paid back by Eurotunnel more quickly. In addition to paying 30 per cent of cashflow available after investment expenses and payment of interest and principal on the other financial instruments in the restructuring, *Eurotunnel must pay interest* at an annual rate of 1 per cent.

He suggested that shareholders might call for a vote condi*tional on modifications to* the refinancing proposed with Eurotunnel's bankers. He said that he would recommend blocking the plan unless the British and French governments agreed an extension to the length of the operating concession for the tunnel granted to the company.

Investors are hopeful as the new British government and the main French political parties have some sympathy with this idea.

Restructuring details, Page 28

US utilities take Cemig stake

By Jonathan Wheatley in São Paulo

A consortium led by US power companies AES and Southern Electric yesterday bought a one-third "strategic" stake in Cemig, the Minas Gerais state electricity generator and dis*tributor, for* R$1.13bn ($1.1bn).

Although control of the company is retained by the state government, the sale is a *significant step* in the privatisation of Brazil's electricity industry, expected to raise $40bn in the next three years.

The buying *consortium – in* which AES and Southern Electric have 90 per cent and Opportunity, a Brazilian investment bank, 10 per cent – becomes an operating partner in the company, taking *four* seats out of 11 on Cemig's board of directors and three out of eight senior management positions.

The agreement gives the consortium a veto over all board and management decisions for the next 35 years.

"We are definitely looking to the long term. We see this as a first step," said Mr Arthur Carvalho, a director at Opportunity.

"The [buying] group would be the natural buyer should Cemig be privatised outright. In effect, we have already *bought control.*"

One local and three other foreign-led consortia qualified to bid but pulled out before the auction, held on the Rio de Janeiro stock exchange before markets opened. The buyers paid the minimum price of R$60.37 each for 18.7m debentures, each convertible into 1,000 voting shares. Cemig's voting stock closed at R$48.00 per 1,000 shares on Tuesday evening and fell slightly in early trading yesterday.

Cemig is regarded as one of the best-managed of Brazil's electrical utilities. It has generating capacity of 4.96 megawatts and supplies 4m consumers. A restructuring programme is expected to cut staff by 1,800 from the current 14,800 by the end of next year.

Yesterday's auction was originally scheduled to take place last year but postponed because of legal challenges *similar to those that* delayed the sale of CVRD, the mining group, earlier this month.

Weaker yen lifts Japan shipbuilders

By Gwen Robinson in Tokyo

Foreign exchange gains on a weaker yen helped Kawasaki Heavy Industries and Ishikawajima Heavy Industries, two of Japan's top shipbuilders and engineers, lift profits in the year to March.

However, falling demand for new vessels and the recent rise of the yen against the dollar are expected to flatten earnings this year.

KHI announced a record unconsolidated recurring profit of Y38.04bn ($326m), up 41 per cent, on sales 10 per cent higher at Y1,043bn. After-tax profit rose 36 per cent, to Y21.9bn.

KHI raised its annual dividend from Y5.5 to Y7, including a payout of Y1 to mark its 100th anniversary.

Mr Yukihiro Hirata, vice-president, noted a recovery in the shipbuilding division last year, but conceded that this year's outlook for shipbuilding revenues was flat.

Sales in rolling stock and consumer products including motorcycles are also expected to level off. KHI is facing declining demand for industrial machinery, steel frames and industrial motors because of the dwindling number of large-scale orders, Mr Hirata said.

The aerospace division, however, performed strongly and is expected to increase sales a further Y60bn, to Y280bn, this year.

For the year to next March, KHI expects profits and sales to stay virtually flat, with recurring profit edging up 0.2 per cent and after-tax profit declining 13.6 per cent, to Y19bn, on sales of Y1,050bn.

IHI, which is particularly strong in aerospace and defence, saw unconsolidated recurring profit rise 4.4 per cent, to Y25.9bn. However, sales fell 1.3 per cent, to Y844bn, on declining demand for boilers for power generation, environmental equipment and ships.

Sales of industrial machinery and engines for commercial aircraft increased. The company also benefited from the yen's weakening against the dollar, which produced gains of Y800m. After-tax profit rose 16.7 per cent, to Y15.3bn.

IHI expects recurring profits marginally higher at Y26bn this year, on sales little changed at Y860bn.

The annual dividend will be Y6.

ANZ 24% rise exceeds forecasts

By Nikki Tait in Sydney

Australia and New Zealand Banking Group yesterday beat analysts' expectations to report a 24 per cent increase in interim profits after tax, but before abnormal items, to A$646m (US$493m). In the half-year to end-March 1996 ANZ made A$520m.

Mr Don Mercer, chief executive, said that despite the current squeeze on lending margins, the bank was looking to post a full-year improvement.

Mr Mercer, who yesterday announced his retirement, said he expected non-interest income to "grow and grow quite markedly" in the second half. But he stressed: "Margin pressure is very strong and we don't see that that has come to an end yet."

Provision for bad debt was down from A$102m a year ago to A$75m. Net interest income across the bank rose by 1 per cent on the second half of 1995-96 to A$1.69bn. In the first half of 1995-96 it was A$1.65bn. The average net interest margin fell to 3.1 per cent, compared with 3.38 per cent a year ago.

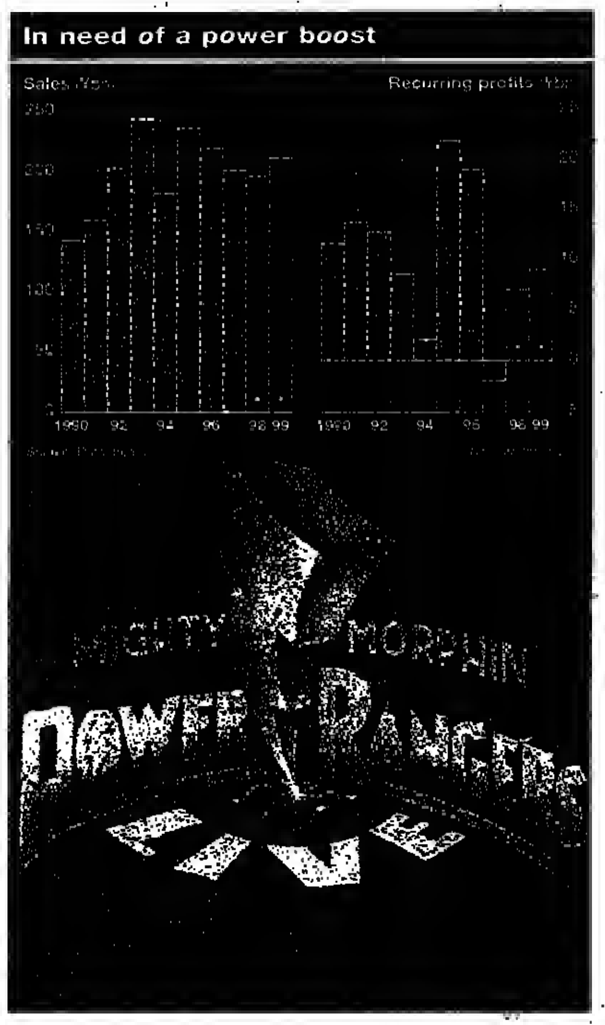
However, other operating income grew more strongly, from A$1.01bn to A$1.14bn. Operating expenses were flat at A$1.81bn, compared with A$1.79bn.

ANZ took a net A$31m abnormal charge in the period. An A$150m charge related to the internal restructuring and overhaul of the branch network was offset in part by A$145m of interest on money deposited with the National Housing Bank of India, related to a legal dispute involving ANZ's Grindlays subsidiary.

After abnormals, profits rose 18 per cent to A$615m. Earnings per share were 41.4 cents after abnormals, compared with 35.8 cents.

Drive for size loses to hearts and minds

The Sega-Bandai merger collapsed because staff at the toymaker did not support the deal



"If you can't capture the hearts of the people, it is not going to work." That was the way Mr Hayao Nakayama, president of Sega, explained the company's decision to call off its planned merger with Bandai, Japan's largest toymaker, and form a loose business alliance instead.

The joint announcement that the deal to create one of Japan's leading entertainment companies was off confirmed that the hearts and minds of Bandai employees had not been won over.

The merger collapsed, just a day before the contract was to be signed, because of severe opposition within Bandai, which was to have been absorbed by Sega. Bandai management initially tried to contain the rank-and-file revolt, but in the end Mr Makoto Yamashina, president, acknowledged the merger was impossible.

The incident highlights the unique nature of Japanese capitalism, in which employee sentiment can exert tremendous influence over management.

Mr Yamashina, who has offered to resign, has been blamed for failing to build an internal consensus in favour of the merger. Such consensus is crucial in a country where it is widely believed a corporation exists for the benefit of its staff.

"Japanese capitalism is different from western capitalism," says Ms Keiko Honda, of McKinsey in Japan. Unlike in the US, where management seeks to maximise shareholder value, in Japan the employees' interests come before those of shareholders.

Bandai, founded by Mr Yamashina's father, is run in a family-like atmosphere in which employees "do their own thing", according to Mr Nakayama. The creativity behind Bandai's hit products, such as the Tamagotchi virtual pet, and the Power Rangers, stems from that free environment.

Mr Yamashina was unable to quash mounting employee concern that the merger would kill that culture and rob the company of the source of its success.

Sega, by contrast, which began under foreign ownership, has a corporate culture that seems cold and uncaring. It is known for a competitive environment where the emphasis is placed on results and employee turnover is considered high.

Concerns about the two companies' different styles fuelled doubts about the purported benefits. "It wasn't necessarily that great a deal in the first place," notes Mr Joseph Osha, analyst at Merrill Lynch in Tokyo. Despite the hype about creating a "Japanese Disney", "the synergies were unclear, apart from the possibility of Bandai developing video game software for Sega", he says.

It was also likely to have been difficult for Bandai employees to accept being absorbed by Sega.

Although Sega is a much larger company, with group sales of Y432.8bn ($3.7bn) last year and more than 3,900 employees, against Bandai's sales of Y200.3bn and 820 employees, the toymaker has been riding high due to Tamagotchi, which had sold 5m units worldwide as at the end of April. Sega, however, has faced an uphill battle in the video games market where it lags behind both Sony and Nintendo with its Saturn game.

Meanwhile, Bandai shareholders appear to have been sidelined. "In the US, a merger begins with an explanation to shareholders about the advantages in terms of return on equity and so on. But there was no such explanation from Bandai to its shareholders. They just talked about the size of the merged company," says Mr Kuninori Takahashi, of Daiwa Securities in Tokyo.

Mr Takahashi believes Japanese management will increasingly have to use mergers to raise their corporate competitiveness. But barring a revolution in Japanese-style capitalism, it will continue to be the employees, rather than shareholders, that will take the most convincing.

Michiyo Nakamoto

Tata attacks block on airline investment

By Alexander Nicoll in Bombay

The Tata group is seeking a review of the Indian government's decision to forbid investment in domestic airlines by foreign airlines. The new policy blocks the group's proposed venture with Singapore Airlines.

"We believe the government decision to allow collaboration, but not from people with expertise, is a strange policy," Mr Ratan Tata, who heads India's largest industrial group, said in an interview with the Financial Times.

"Personally, I don't believe there is much logic behind it when you are rightly permitting foreign ownership in the power and telecom sectors," he said. "I don't consider that the airline sector is any different, and we would hope that this would come under some review by the new government."

He criticised the lack of transparency in the government's approach to opening up infrastructure sectors. "It has been fraught with considerable constraints, pre-conditions, pre-judgments and a fair amount of subjectivity, including bias in favour of one group or another."

Mr Tata said the Indian infrastructure sector contained a class of entrepreneurs that had developed in a protected environment in manufacturing industries but, after liberalisation of the economy, had moved to infrastructure, where they were still protected.

The Tata group has had problems entering the telecoms business, in addition to seeing its airline project stalled for years and now explicitly blocked.

The government is widely thought to have come under pressure from other private-sector domestic airlines, as well as state-owned carriers, not to permit Tata's venture with Singapore Airlines.

ASIA-PACIFIC NEWS DIGEST

Strong debut seen for latest 'red chip'

Shares in Beijing Enterprises, the investment arm of the city government, are set to soar on their debut today following record subscription levels by investors in Hong Kong. According to final figures, the public tranche of the issue was 1,276 times subscribed, tying up more than HK$200bn ($25.8bn) in the Hong Kong banking system. Shares were trading on the grey market yesterday at about HK$40.00, compared with an issue price of HK$12.48.

The company said the offering would raise proceeds of HK$2.19bn, which would be used to fund expansion. It has diverse interests ranging from ownership of the McDonald's franchise in Beijing to brewing, toll roads and retailing. Beijing Holdings, the parent company, will retain a stake of just under 70 per cent. A group of strategic investors, including Peregrine Investments, Morgan Stanley, and Shanghai Industrial (another red chip), will hold a 6 per cent stake.

John Ridding, Hong Kong

Finance One to restructure

Finance One, the ailing Thai finance company, announced a restructuring plan yesterday that analysts said was a last-ditch attempt to convince shareholders to subscribe to a central bank-imposed rights issue and not to abandon the company when trading resumes on Friday after a three-month suspension.

The company said the plan would cut operating costs from 2.5 per cent to 1.5 per cent of total loans, pare property loans from 30 per cent to 10 per cent of its loan portfolio and abandon its hire purchase business, currently 24 per cent of its loan book. It will also split its Thana One subsidiary into a finance arm focusing on retail lending and a securities arm which would seek a foreign equity partner. The company will instead focus on commercial lending with an eye towards leading a consortium to apply for a commercial banking licence.

To stay in business, Finance One, whose planned takeover by Thai Danu Bank fell through last week, will have to raise capital by Bt8.28bn ($320m) by mid-June, with the central bank as the buyer of last resort. If the central bank subscribes to the shares, Finance One's main shareholders are likely to lose management control.

Ted Bardacke, Bangkok

Crédit Lyonnais sells unit

Nicholas-Applegate Capital Management, the US-based investment adviser, has agreed to buy Credit Lyonnais International Asset Management Asia, the Asia-Pacific asset management division of the French bank. The unit has assets of more than US$700m under management. The purchase gives Nicholas-Applegate money management operations in Hong Kong, Singapore and London.

Louise Lucas, Hong Kong

S&P warns on Japan assurers

The gap between the strongest and weakest life assurers in Japan is set to widen this year, predicted Standard and Poor's, the rating agency. S&P also warned that the collapse of Nissan Mutual – Japan's first life assurance failure since the second world war – could also push up the level of policyholder surrenders.

Nevertheless, the US rating agency also predicted that this year would be easier for the stronger life assurance companies. The business squeeze that has hit the sector in the last year would probably ease, allowing companies "to catch their breath", S&P said.

Gillian Tett, Tokyo

Astra International ahead 63%

Strong motorcycle sales and a recovery in car sales helped lift first-quarter net profit at Astra International, the Indonesian conglomerate whose activities also include plantations, by 63 per cent to Rp119.83bn ($49m). Revenues rose from Rp2,885bn to Rp3,121bn, reflecting the diminishing impact of the country's "national" car policy on Indonesia's largest carmaker. Under the "national" car programme, a company controlled by President Suharto's youngest son was awarded tax and tariff breaks allowing it to undercut other saloon carmakers in the country.

Manuela Saragosa, Jakarta

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Telecoms giant's reputation wanes

Speculation that AT&T may merge with SBC adds to an appearance of a retreat to the US

Once AT&T was the 800-pound gorilla of the global telecommunications industry, the company that competitors and potential partners eyed with cantion and respect.

Today, although it continues to dominate the US long-distance and international call business with more than 60 per cent of the market, the caution has evaporated and respect is waning.

It has made too many blunders over the past few years – notably the disastrous acquisition and eventual spin-off of NCR, the compnter company – to sustain a spotless reputation.

Reports that it is talking to SBC Communications about a $50bn-plus merger, the largest telecoms deal in history, are notable on many counts.

What is most remarkable, however, is that tha deal would ha assantially a merger of equals.

AT&T's market value is approximately $60.5bn; SBC, the largest of the regional Bell operating companies which provide local services in the US, is worth some $52.5bn.

Analysts are suggesting that in any merged company, SBC's executives under Mr Edward Whiteacre, SBC chairman and chief executive, would end up running the show. SBC, created last year through the merger of SBC, active in Texas and other southern states, and Pacific Telesis, offering local services in California and Nevada, is regarded as one of the best, most aggressively run of the Bell operating companies.

Mr Robert Allen, AT&T's beleaguered chairman, is set to retire soon. His heir-apparent, Mr John R. Walter, has been with the company for only a few months and lacks a background in telecoms.

The prospect of such a huge merger, however, begs a number of hard questions. First, will it happen at all? Telecoms companies explore the possibility of mergers and alliances all the time but few of the talks lead to anything concrete.

Both AT&T and SBC have refused to comment on the reports, withont denying that negotiations are in progress.

It is, however, interesting that SBC recently halved its stake in Telmex, the Mexican national operator.

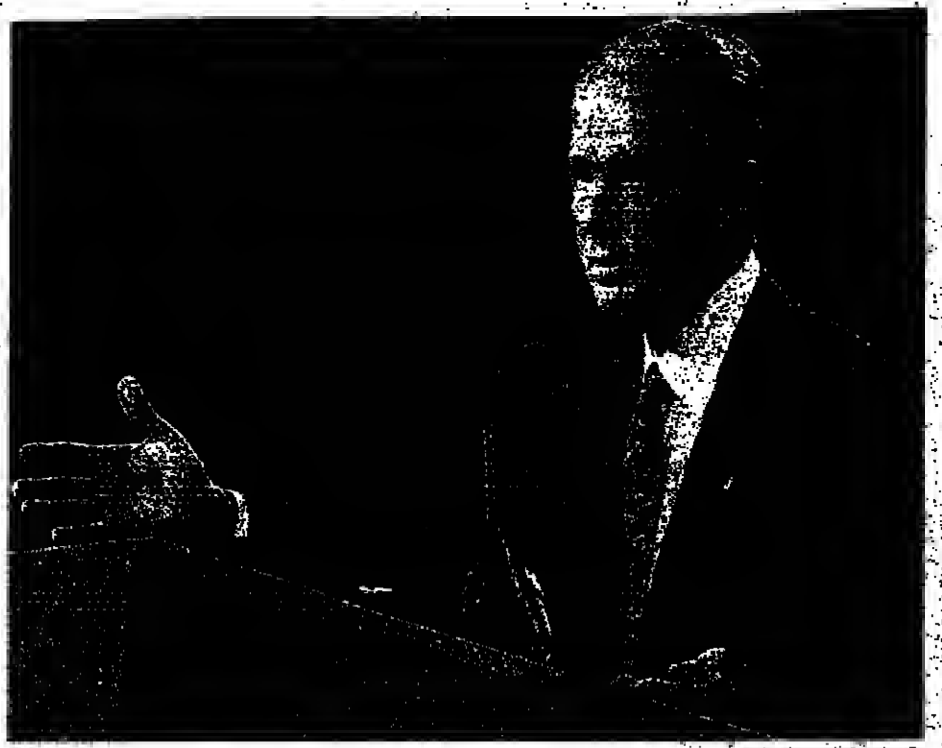
AT&T has a $1bn alliance with tha Mexican consortium Grupo Industrial Alfa which plans to offer long-distance services in competition with Telmex. The move could ease merger moves.

Second, what advantages would the deal offer the prospective partners? Critics question whethar such a merger would help either the local or global aspirations of the participants.

It would create a huge organisation with a turnover of some $80bn, 230,000 staff and a virtual monopoly of local services in the south-west of the US and California.

It would be, however, a wholly American affair. Analysts argue the deal would represent a further retrenchment by AT&T from global telecoms competition, following a series of reverses in Europe.

In the most recent, Telefónica, the Spanish national operator, withdrew from AT&T-Unisource, an alliance of the US operator with a group of small European operators, in favour of an alliance with Cnncert, the global alliance formed by British Telecommunications and MCI, the second largest US long-distance operator.



Robert Allen, chairman of AT&T, may lead his company into a $50bn-plus merger of equals

The switch of loyalties went ahead despite frantic last minute attempts by AT&T to persuade the Spanish group to remain with Unisource, the European partner in AT&T's global alliance, World-Partners.

Critics say AT&T has failed properly to expound or implement an effective global strategy, leaving Concert and Global One, the alliance formed by Dentsche Telekom, France Telecom and Sprint of the US, to take the initiative.

A merger would, however, give AT&T access to the second most lucrative block of local markets after the north-eastern seaboard, which is dominated by the Bell companies Nynex and Bell Atlantic, themselves in the final stages of merger negotistions.

A final question is, would such a far-reaching merger be approved by the regulatory authorities, the Federal Communications Commission and the Department of Justice? It is, after all, less than 20 years since the Bell System was split into AT&T and seven regional operating companies to promote competition.

Two years ago, it would have been unthinkable. But the issue is less clear following the passage of the 1996 Telecommunications Act last year which was designed to tear down the barriers preventing competition between long-distance and local operators.

The FCC is expected later this year to approve the acquisition of MCI by BT. But the arguments here are somewhat different since BT has no significant US operations.

A combination of AT&T and SBC could well be seen as anti-competitive and a barrier to the entry of smaller, less well funded competitors.

Earlier this month the Justice Department blocked moves by SBC to offer long-distance services on the grounds it had not opened its local markets to competition.

Some observers believe, nevertheless, that the regulatory authorities would approve the merger – if, that is, it is ever asked to decide on what is still a hypothetical union.

Alan Cane

Bank of New York buys custody unit

By John Authers in New York

Consolidation in the US investment custody business continued yesterday, with the announcement that Bank of New York had bought the institutional and Taft-Hartley labour union custody businesses of Wells Fargo, the San Francisco-based retail bank.

The deal continued the marked trend of the last year for regional retail banks to dispose of their custody businesses, which benefit heavily from economies of scale.

Abont $75bn in assets under custody is covered by the deal, the terms of which were not disclosed. However, Bank of New York, which specialises in securities processing, predicted that the deal would immediately start to enhance earnings.

Mr Thomas Renyi, president of Bank of New York, said the West Coast was "a strategic market for us".

Wells Fargo, which is in the middle of an ambitious programme to integrate the branch network of Los Angeles-based First Interstate, acquired last year, said the agreement would allow it to focus more resources on its employee benefit trust and investment management businesses.

Bank of New York already has more than $3,000bn in assets under custody, following a long acquisitions campaign. It has bought securities processing businesses from BankAmerica, NationsBank, and Citibank, and had already acquired Wells Fargo's corporate trust business.

Most of the sellers were withdrawing from the market. Unlike Bank of New York, they concentrate on retail banking.

Bank of New York is also attempting to gain regulatory approval to double its stake in State Street of Bostnn, which is the third largest US global custodian with ahont $3,000bn in assets.

Chase Manhattan is the other significant competitor in the US market, following its merger with Chemical Banking last year.

Bank of New York's long-term strategy is to boost the proportion of its income that comes from fees, which tend to be less volatile and prone to economic factors than interest income.

It said client services would be provided through the offices of BNY Western Trust Company on the west coast, which currently provide custody and corporate trust services in 12 western states.

The transaction is expected to close in the second half of this year.

Neither company's share price was significantly affected. Wells Fargo gained $¼ to $258⅞, while Bank of New York was np $¼ to $41½.

Owens Corning in $515m purchase

By Tracy Corrigan in New York

Owens Corning, the US building materials company, has bought Fibreboard Corporation in a deal valued at $515m, excluding debt.

The acquisition, which values Fibreboard's shares at $55 each, is Owens Corning's 16th in the past three years and its largest to date.

The transaction is expected to close in the third quarter.

Mr David Devonshire, Owens Corning chief financial officer, said the acquisition would be accretive to earnings in 1997 by abont 5 cents a share and by 20-25 cents a share in 1998, assuming expected synergies are achieved.

He said that Owens had been missing out on some business because it was unable to provide vinyl sidings as part of a package.

Fibreboard is a low-cost producer of vinyl sidings and other products, including manufactured stone. Vinyl sidings, like aluminium sidings, have traditionally been used to cover low-cost older houses in the US. But in recent years the removal of lead and mercury from paints for environmental reasons has meant that houses have to be painted more often, and as a result vinyl sidings have become more widely used.

Officials at Owens Corning said the US market was growing at about 6 per cent a year.

"It looks like a very good deal over the longer term," said Mr Donald Pattison, an analyst at Deutsche Morgan Grenfell.

Owens Corning shares have performed poorly in recent years as asbestos claims have hung over the company.

However, "the reserve that we have on the books covers any and all claims filed against the company," Mr Devonshire said.

The stock is trading at just under nina times earnings, well below the norm for the sector.

"[Owens Corning] is undervalued given its market position. It's the kind of company that ought to sell" for about 15 times earnings, said Mr Pattison, at Deutsche Morgan Grenfell.

"The asbestos issue is resolved as far as the company's financial strength is concerned, but they have to sell the idea to the investment community," he added.

The acquisition comes with about $125m of Fibreboard debt, but Mr Devonshire said that this was a seasonal high and the normal level was about $80m-$85m, bringing the cost of the acquisition to about $600m.

Owens has already refinanced the group's post-acquisition debt through Credit Suisse.

Owens Corning shares rose $1 to $42⅝ on the news, while Fibreboard stock jumped $6 11/16 to $54 1/16.

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 30th May, 1997 to 30th June, 1997 has been fixed at 5⅞% per annum. On 30th June, 1997 interest of U.S. $4.951389 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 30th June, 1997 will be determined on 26th June, 1997.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA

THE KINGDOM OF DENMARK
£500,000,000
Floating Rate Notes Due 1998

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period from 28th May, 1997 to 28th August, 1997 the rate of interest on the Notes will be 6.44141% per annum. The interest payable on the relevant interest payment date 28th August, 1997 will be £162.36 per £10,000 Note and £1,623.59 per £100,000 Note.

Fiscal and Principal Paying Agent
ROYAL BANK OF CANADA

ABN·AMRO Holding N.V.
established in Amsterdam

Final dividend 1996

With reference to the announcement dated May 9, 1997 concerning the payment of the final dividend over the 1996 financial year, the Managing Board of ABN AMRO Holding N.V. herewith announces that the number of stock dividends no. 24 of the ordinary shares of NLG 5 value entitling to 4 new shares of NLG 1.25 value, only available in CF-Form, has been determined on 61.

Based on the average quotation on the AEX-Stock Exchange on May 26, 1997 of NLG 36,60, 4/61 part represents a value of NLG 2,40, which differs not from the value of the cash dividend.

The payment of the final dividend and the delivery of shares will be done as of May 30, 1997 at the following addresses:

in the Netherlands : ABN AMRO Bank N.V.
in the United Kingdom : ABN AMRO Bank N.V. - London Branch

ABN AMRO Holding N.V. Amsterdam, May 26, 1997

First Bangkok City Bank Public Company Limited
USD250,000,000
Floating Rate Certificates of Deposit due November 1997

In accordance with the provisions of the Floating Rate Certificates of Deposit, notice is hereby given as follows:

Interest Period : 29.05.97 - 28.11.97
Rate of Interest : 6.75%
Coupon Amount : USD17,156.25 per Note of USD500,000 each

London Forfaiting Asia Limited

Youngone Hi-Tech Sportswear Industries Limited US$26 Million Guaranteed FRNs Issue due 1999

Int. Period: 29 May 1997 - 28 Nov 1997
Int. Rate: 6.96875% p.a. all-in
Coupon denomination: USD500,000.
Int. Amt. per CPN: – USD17,712.24

KDB ASIA LIMITED as Reference Agent

LEGAL NOTICES

SHIELD MOTOR GROUP LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at ... on ... June 1997 at 10.00am for the purpose of having laid before it a copy of the report prepared by the Joint Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by, or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than 12.00 hours on the business day before the meeting, written details of the debts they claim to be due; and

(b) there has been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 21st May 1997.
N RUDDOCK AND V M BMESTON
Joint Administrative Receivers

A powerful marriage of content and contacts

HFS has the brands and CUC the marketing know-how, writes John Authers

The consumer services industry bas a new giant to contend with. HFS and CUC International, two US companies which announced a friendly merger of equals on Tuesday in a stock swap valued at $11bn, are based oo an unusual business model: neither owns fixed assets or significant inventory.

Instead, HFS owns a series of franchises, mostly linked to the travel and consumer services industry. They include hotels (its best known brands are Ramada and Howard Johnsoo), the Avis car hire company, corporate relocation agencies, and real estate agencies.

It claims that more than 100m customers use one or other of its brands each year. However, cross-selling is minimal.

CUC will aim to solve this problem. It is a powerful direct marketing operation, providing membership programmes and discount packages which can be used by credit cards or retailers.

Examples include "Sboppers Advantage", which offers home shopping with 11 catalogues a year and buying online or over toll-free telephone lines, and "Travelers Advantage", which offers travel consultants and discounts on holidays. Its programmes have 68m customers worldwide.

Mr Henry Silverman, HFS chief executive, suggests that the common element between the two companies is the "annuity model", where "most of your revenues are paid in advance each year by either your members or your affiliates or your franchisees".

Mr Silverman had already taken his company oo a notabla acquisition spree since setting it up in 1990, buying ailing businesses with strong brand names and improving management and marketing.

After concentrating on hotels, the company diversified in 1995 into real estate and relocations management. Last year it mada six acquisitions, including Coldwell Banker, a real estate chain, for $640m cash, Avis for $800m, and PHH, a corporate relocatioo agency and mortgage lender, for $1.7bn in stock.

The link with CUC follows a successful joint venture, which marketed CUC travel schemes to HFS hotel guests. According to Mr Walter Forbes, CUC chief executive: "It became more and more obvious to both sides that a combined company will have a much longer and stronger growth rate. We have the advantage of scale, and our diverse business interests are very adaptable when you talk about synergies."

Oace merged with CUC, the idea is that HFS's brands will reinforca each other, and acquisltions will continua. Asia offers the most attractive opportunities for expansion, particularly on the real estate side, but the company would consider moving into any area of consumer services, probably using the franchise model.

The companies have already released a list of plans for cross-selling. These include:

- Direct marketing of CUC's discount membership clubs, using both discount coupoo books and the internet, to HFS's real estate and travel services;
- Linking tbe first-time home buyers who buy through HFS agencies with the CUC "CompleteHome Service" which provides home improvament and repair information;
- Joining HFS's brands with CUC's ability to market services online, such as its RentNet classified real estate website;
- Combining HFS's corporate relocation service with CUC's programmes which offer coupons with local merchants to new residents.

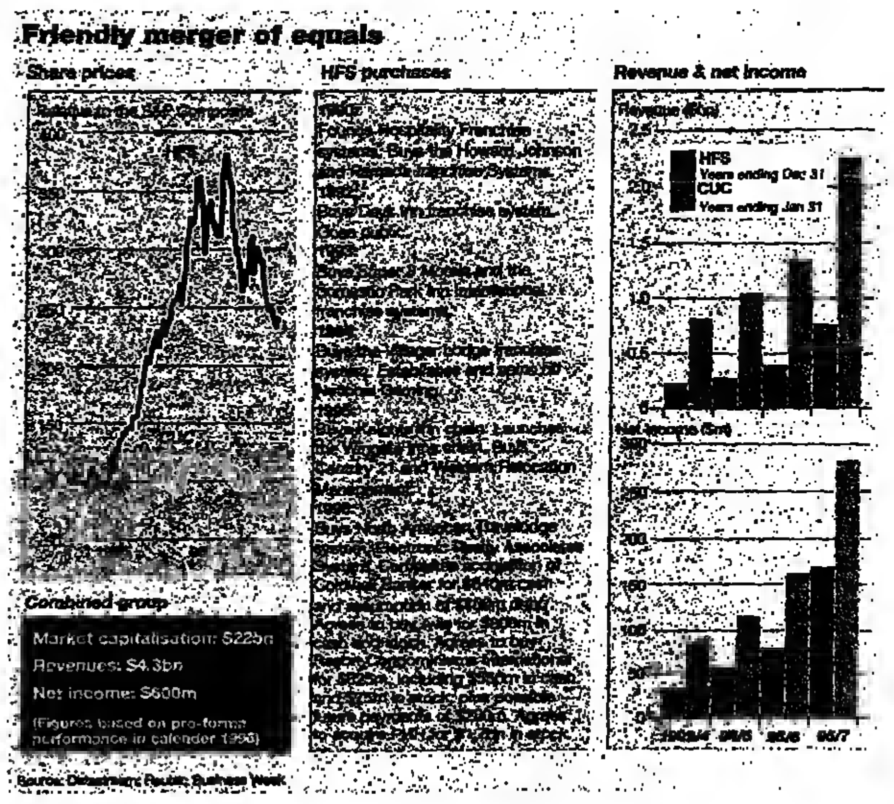
The news was announced after the market closed on Tuesday, and both companies' shares took a pounding in early trading yesterday. CUC's shares fell $2 to $24 and HFS's $2⅞ to $56¼.

However, Mr Christopher Feiss, who covers CUC for the Alex. Brown brokerage, yesterday down-graded CUC from a strong buy to a buy. He said tbe fall was a short-term reaction to the economics of the deal. "The revenue growth, or the implied growth for the combined entities, is a hit lower than for CUC as a stand-alooe company. And in the near term there are real execution issues."

But be added: "It sbould oot be overlooked that there's no comparable company ont there for this. That's a positive. From a user's perspective, the combined impact of having one vendor across so many different service areas could be very interesting."

The most awkward issue for the immediate future is to find a name. Both ara clear that the new company will not be the alphabet soup that would result from combining their names.

Friendly merger of equals



AMERICAS NEWS DIGEST

RBC rise mirrors banking sector

Royal Bank of Canada, the country's biggest financial institution, lifted second-quarter earnings by 19 per cent, with especially strong growth in capital market and mutual fund fees. The results mirror a strong performance across the banking sector. Mr Kevin Choquette, analyst at Levesque Beaubien in Toronto, said: "The industry is fundamentally very strong. The balance sheet risk is the lowest in 25 years."

RBC's net earnings rose from C$340m (US$246.35m), or 97 cents a share, a year earlier, to C$403m, or C$1.20, for the three months to April 30. Return oo equity climbed from 17 per cent to 19.4 per cent. Loan-loss provisions dropped from C$110m to C$95m. Non-performing loans dipped 23 per cent from the previous three months to C$220m on April 30, or only 0.1 per cent of total loans and bankers acceptances. Assets grew 20 per cent over the past year to C$250.8bo on April 30.

Mr John Cleghorn, chairman, forecast further revenue growth, higher productivity and improved asset quality for the rest of 1997.

A highlight of RBC's second quarter was a 44 per cent jump in mutual fund assets to C$21.6bn. Net income from "wealth management", including mutual funds, investment management and custody services, grew 28 per cent. However, the bank blamed the significant fall in earnings from RBC Dominion Securities' private client services group on "less favourable market conditions". Non-interest expenses were up 15 per cent, attributed largely to higher-than-average increases at Dominion Securities.

Mr Choquette based his upbeat assessment of the banks' financial condition on tha growing proportion of stable residential mortgages in the asset mix, now comprising almost a third of total loan portfolios; high liquidity, in the form of cash and marketable securities; and a rising ratio of shareholders' equity to assets. Furthermore, loan portfolios are healthier than they have been in many years. Bank of Montreal said this week that its impaired loans, oet of provisions, had shrunk to zero.

Canadian banks' share prices have soared over the past year, with RBC's market value surging 70 per cent to C$17.2 billion. Its shares gained 10 cents to C$61 at midday in Toronto yesterday. *Bernard Simon, Toronto*

Compass buys US food group

Compass, the UK food services group, said its US subsidiary, Compass Holdings, has agreed to make a cash tender offer of £119.8m ($195m) for Daka International, a US foodservice company serving the educatioo and business and industry marketplace. Tha price includes the assumption of up to £767.6m of debt. Net assets at completion are expected to be £16.5m, excluding debt and writing off goodwill, said Compass.

Daka operates 710 accounts in 34 states. It also owns two high street retail businesses, Champps and Fuddruckers, which are being demerged to Daka's existing shareholders and are not included in the Compass offer. It has annual turnover and profit before interest and tax of £172m and £10.7m respectively. Education contracts represent about 73 per cent of its turnover with the balance being business and industry contracts. *AFX News, London*

Disney names ABC president

Mr Preston Padden, who this month walked out on his job as head of News Corporation's US satellite television operations, was named yesterday as president of Walt Disney's troubled ABC Television network. His appointment, which had been expected, coincided with the announcement that Mr Robert Cooper, recently displaced as president of Sony's Tri-Star Pictures, was to become feature film production chief at the DreamWorks partnership.

Mr Padden will be responsible for ABC's advertising sales, relations with affiliated stations which distribute the network's programmes, and oversee the introduction of digital television. His experience as a Washington lobbyist and his skills as a negotiator will also be applied in dealings with regulators and politicians pressing for more federal influence over programme content. He will report directly to Mr Robert Iger, president of the ABC group.

Mr Cooper, wbo in keeping with DreamWorks policy will have oo formal title, will work with Mr Steven Spielberg, co-founder of the embryonic entertainment empire. He was head of HBO Pictures, a leading specialist in made-for-television films, before joining Sony last year.

Apart from winning awards with films such as *And the Band Played On*, *Barbarians at the Gate* and *Citizen X*, Mr Cooper's vaunted ability to keep within tight budgets was much admired during his eight years at HBO. *Christopher Parkes, Los Angeles*

Sun buys storage unit

Encore Computer is to sell the assets, products and technology related to its storage products business to Sun Microsystems for $185m. The proceeds will be used to cancel debt and outstanding convertible preferred stock held by Gould Electronics. Encore provides data storage, retrieval and sharing technologies for mixed-platform Its shares were up $¼ to $1 15/16 in processing environments. early trading yesterday. *Reuter, Fort Lauderdale*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Acquisition helps Fortis climb 30%

By Gordon Cramb in Amsterdam

Fortis, the Belgian-Dutch financial group, yesterday reported a 30 per cent jump in first-quarter net profits, to Ecu204m ($237m), helped by an "immediate positive contribution" from MeesPierson, the Amsterdam merchant bank it acquired from ABN Amro.

Profits from core insurance activities were up 13 per cent, to Ecu138m, while banking contributed Ecu85m, an increase of 83 per cent. MeesPierson, for which Fortis paid Fl 2.5bn ($1.3bn), became part of the group on January 1.

For the full year, net profits for the group as a whole and for Fortis AG and Fortis Amev, its quoted parent companies, should emerge between 10 and 15 per cent ahead of the Ecu731m achieved in 1996, it forecast.

The group said results for the first three months were negatively influenced by currency trends, but were aided by a revival in tha US, where the operating result more than trebled, from Ecu11m to Ecu34m. Its US life business "recovered powerfully", while disposals contributed to an improvement in the accident and health sectors.

Operating earnings from insurance in Belgium fell 13 per cent, to Ecu53m, hit by a poorer showing in fire cover, but in the Netherlands the division advanced 20 per cent, to Ecu61m.

Belgian banking earnings showed a 10 per cent rise, at Ecu109m, while Dutch banking almost quadrupled, from Ecu19m to Ecu71m.

VSB, its Dutch savings bank, was described as developing satisfactorily, holding down costs and boosting commission revenues. But the near trebling of worldwide net commission income, from Ecu44m to Ecu127m, largely reflected the inclusion of MeesPierson. Net interest income rose 10 per cent, to Ecu425m.

On the insurance sida, gross premium income for the life business rose from Ecu1.06bn to Ecu1.09bn, while non-life premium income came in unchanged, at Ecu1.17bn.

Excluding the effects of exchange rate movements and acquisitions, net profits grew 19 per cent for tha group. Existing banking operations led the way with a 25 per cent rise.

Net earnings per share for Fortis AG were BFr95, compared with BFr73, and Fl 1.23 at Fortis Amav, against Fl 0.94.

Shares in Fortis Amev rose 80 Dutch cents, to Fl 82.30, while on the Brussels bourse Fortis AG ended BFr60 higher, at BFr6,980.

Tarkett in DM1.4bn floorings deal

By Graham Bowley in Frankfurt

Tarkett, of Germany, and Sommer Allibert, of France, yesterday announced a DM1.36bn ($799m) merger of their flooring businesses, creating one of the world's biggest flooring companies with combined sales of DM2.6bn a year.

Tarkett, already among the world's market leaders in flooring surfaces, said it would buy the flooring business of Sommer Allibert, one of Europe's biggest plastics processors, in a DM705m deal due for completion by September.

In return, Sommer Allibert has agreed to buy 60 per cent of Tarkett for DM658.3m through a public offer in which it will pay DM32.75 a share for 20.1m Tarkett shares.

Tarkett will meanwhile assume DM250m of debt from Sommer Allibert.

Tarkett shares surged 24 per cent after the announcement amid unprecedented trading volumes. The shares closed up DM7.70 at DM39.80.

The merged group will be based in Frankenthal, Germany.

Sommer Allibert employs about 4,300 in its flooring division; Tarkett has 4,500 staff in more than 50 countries worldwide. The two companies said the merger was "expected to generate a potential for synergies and cost reductions".

Goldman Sachs Capital Partners and Doughty Hanson, the venture capital businesses which each own about 33 per cent of Tarkett shares, have agreed to sell part of their stakes so that Sommer Allibert can purchase 60 per cent of Tarkett.

Tarkett is to finance the deal with dabt and by the issue to its shareholders of rights to subscribe to a DM201m bond with warrants attached.

SBC Warburg said if the warrants were exercised – as it expected – Sommer Allibert's share in Tarkett would fall to 50.1 per cent.

Analysts said the move was positive. Standard & Poor's, the credit rating agency, said: "[The companies] have complementary product lines and an excellent geographical fit, Tarkett being concentrated in Germany and Scandinavia while the flooring business of Sommer is concentrated in France and Spain."

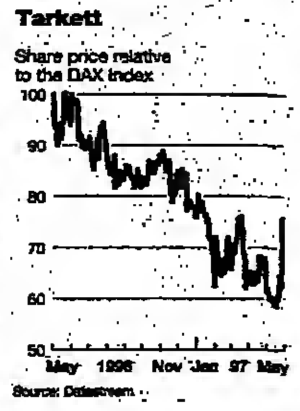
But S&P said the move would nevertheless weaken Tarkett's financial structure and raise net debt.

Tarkett cama to the German stock market in mid-1995 with a new issue of about 7m shares just over a year after a management buy-out from Stora, its former Swedish parent.

Mr Marc Assa, chairman of Sommer Allibert, said: "To increase its strength in markets where globalisation has sharpened competition, Sommer Allibert is refocusing on the areas where the key factors of success correspond to its strong points: globalisation, innovation and productivity. This is undoubtedly the case for tha flooring industry and this joining of forces with Tarkett allows a better development of this activity."

Tarkett

Share price relative to the DAX index



Source: Datastream

Romania postpones chemicals sale

By Anatol Lieven in Budapest

The Romanian State Property Fund (SOF) has postponed the privatisation of Azomures, one of the country's largest chemicals companies, saying the buyers had failed to pay in time.

The fund is now seeking to interest potential foreign buyers in the company, which has a share capital of 209.5bn lei ($30m) and is one of only a handful of companies in the first tier of Bucharest's stock exchange. This would be in line with the new government's strategy of attracting foreign strategic investors to state enterprises.

A deal to buy 51 per cent of Azomures' shares was signed in February with Eurotrading Chemicals, a Romanian company belonging to the Eurocolumna group, at a price of 346bn lei. However, the SOF said the buyer forfeited the deal because it was 15 days late in payment.

Eurocolumna is officially a Romanian-Swiss joint venture, but is known to have strong ties with the the previous administration of President Ion Iliescu, and the former Ceausescu dictatorship.

Other bidders in the contest for Azomures have alleged irregularities, which have been under investigation.

The stake is now to be revalued, and the company again offered for auction. To make it easier for foreign buyers to compete, the SOF said it would remove a clause in the original privatisation coditions stating that the buyer had to have been operating in Romania for at least three years.

According to sources, a key motive for SOF's step is to check what are widely seen as attempts by the Eurocolumna group to seek a near-monopoly position in Romanian fertiliser production.

TelePizza devours fast-food rival

By Tom Burns in Madrid

TelePizza, an investor favourite on Madrid's Bolsa, has grabbed an outsize slice of Spain's fast-food market by acquiring competitor Pizza World, tripling its outlets in the dial-a-pizza sector.

The deal reinforces the company's challenge to the country's tapes-eating public and cashes in on the success of last year's initial public offering, which was 154 times oversubscribed among domestic investors.

The company yesterday paid Pta1.8bn ($12.5m) to Agrolimen, a family group that owns a best-selling brand of stock cubes, for the 109 sales points operated by Pizza World, the third-ranked pizza delivery service in Spain. TelePizza will also acquire a further 90 pizza parlours that the Barcelona-based company planned to open this year.

The acquisition, which virtually corners the domestic fast-food market, was secured below the Pta1.9bn maximum price set by TelePizza in February, when it signed a preliminary purchase agreement.

It brings the group's installed outlets up to 450 nationwide and gives it a market share of nearly 70 per cent.

Analysts estimated that the takeover has brought forward TelePizza's expansion plans by a year and has consolidated its presence in Catalonia, the prosperous north-east corner of Spain which business strategists view as the platform for domestic companies seeking to invest in France.

TelePizza, founded in 1989 by its chairman Mr Leopoldo Fernandez Pujals, a Cuban exile and Vietnam war veteran, listed 45 per cent of its equity in Madrid in November. It has since become a paradigm for high-growth new stocks.

The shares were issued at Pta2,300 each and traded at a record high of Pta8,000 on Tuesday. Amid falls on the Madrid market prompted by profit-taking yesterday, TelePizza's share price fell 1.88 per cent, below the 2.23 per cent slide of the Bolsa index, to close at Pta7,830.

Analysts yesterday raised their profit projections for the company, saying it would now press ahead with other business lines and enter new markets.

EUROPEAN NEWS DIGEST

Zurich Insurance mulls Polish stake

Zurich Insurance, the Swiss financial group, yesterday confirmed it was considering an investment in Bank Handlowy, one of Poland's largest banks, which yesterday opened its international roadshow with a presentation to foreign institutional investors in Frankfurt.

Tha sale of BH will involve domestic retail and institutional investors as well as foreign institutions being offered between 37 and 43 per cent of the bank. Meanwhile, a group of three core investors, including J.P. Morgan and Zurich Insurance are considering taking between 24 and 30 per cent. The third investor is believed to be Swedbank, the Swedish retail bank.

The Polish government, which this week priced BH at a maximum of $1bn, approved the outlines of the agreement with the group of three core investors. Under the deal, they would be committed to providing know-how and technology to BH. They will have to hold on to their stakes for at least 18 months.

The core investors are, however, to be given the right to fill three places on BH's 12-member supervisory board. A further three plsces will go to the state treasury, which will initially hold convertible bonds representing a third of the equity. These are to be sold to private pension funds to be established under pension reforms.

Christopher Bobinski, Warsaw

Acerinox pleases with payout

Shares in Acerinox, the Spanish steel producer, bucked the trend on the Madrid Bolsa yesterday, moving higher after it announced a cut in the nominal value of shares and a cash payment to shareholders. At the close the shares were at Pta25,180, up Pta320, but off an earlier high of Pta25,890.

"The firm has excess cash, and its investment plans are covered, so this is a logical move to reward shareholders," said Mr Javier Bernat, analyst at Inverban brokerage. The steel producer said earlier it would reduce the nominal value of its shares to Pta800 from Pta900, paying back the difference to shareholders. It would also return paid-in capital to shareholders, although a company spokesman declined to specify the amount.

Reuter, Madrid

Ifi ahead 9% at L447bn

Ifi, the quoted financial holding company of the Agnelli family, yesterday reported a 9 per cent rise in 1996 consolidated profits from L411bn to L447bn ($286m). Net assets increased by L271bn to L4,590bn at the end of last year. The company raised its dividend on ordinary shares by L40 to L440 and by a similar amount on its privileged shares to L490. Ifi owns an 18 per cent stake in the Fiat automotive group and controls the Ifil industrial holding company which owns a 13.5 per cent stake in Fiat. Earlier this year, the Agnelli holding acquired full control of the Juventus football club.

Paul Betts, Milan

Shake-up lifts ICL

Israel Chemicals (ICL) yesterday reported a 48 per cent rise in net profits for the first quarter of the year, attributed to a two-year restructuring and improved prices for its products.

Sales slipped from Shk1.38bn to Shk1.34bn ($395m). However, net profits soared from Shk48.3m to Shk71.5m, underlining the commitment by Mr Saul Eisenberg, the former chairman of ICL who died last month, to restructure the group radically by cutting jobs, shutting plants and moving the headquarters from Tel Aviv to Beersheba.

Restructuring at ICL is expected to be stepped up with the government decision to sell for $196m a further 17 per cent stake – about half its holding – to Israeli Corporation, the parent company of ICL. ICL has already embarked on a large investment programme that will reach $2bn by the end of the decade.

The strategy is to seek new production facilities in the US and in Europe, boost exports, and to bring on stream production at the new magnesium plant of the Dead Sea Works, a subsidiary which specialises in the production of potash. Volkswagen, the German carmaker, holds a 35 per cent stake in the project.

Judy Dempsey, Jerusalem

Canal Plus and Pathé in film distribution link

By Alice Rawsthorn in London

Canal Plus and Pathé, two of France's largest media and entertainment groups, are joining forces to form a pan-European network of film distribution companies.

Between them, the two companies already have feature film distribution interests in France, the UK, Germany and Spain. They plan to expand into the Italian market, and eventually into other European countries.

Their partnership comes at a time of rapid growth for the European film industry. Cinema attendance is expected to rise steadily over the next few years as new screens open across the continent, and the value of the European market for television rights is also set to increase.

Both Canal Plus and Pathé have already stepped up their investment in feature film production, hoping to take advantage of the market's expansion.

Pathé assembled a consortium of investors which successfully bid for one of the three National Lottery-subsidised film franchises awarded earlier this month by the UK's Arts Council.

The consortium, Pathé Pictures, has been allocated £33m ($53m) and intends to make 25 English-language films.

Its other investors include six UK production companies and Canal Plus, which has also formed a London-based joint vanture with Sony Pictures to produce English-language pictures.

Canal Plus and Pathé's decision to join forces in film distribution reflects growing competition in the markat for European film rights.

Their new joint venture will negotiate the acquisition of cinema, television and video rights for pictures across Europe, both with the Hollywood studios and other European film producers. Those rights will be channelled through the two groups' existing distribution companies and licensed to other countries.

Pathé, an investor in the BSkyB satellite television group, owns the AMLF distribution business in France as well as Guild Pathé in the UK, and controls Tobis in Germany. Canal Plus holds a stake in Spain's Sogepaq, and has pay-TV interests in France, Spain, Italy and Germany.

Mr Alexis Lloyd, managing director of Pathé Pictures, said tha joint venture should enhance Canal Plus' and Pathé's negotiating power, particularly with the US studios.

● Canal Plus has sold 20,000 shares in Havas, the French media group, reducing its holding from 4.78 per cent to 4.7 per cent.

It is reported to have sold a 1 per cent staka in Havas over recent weeks.

Ciba launches price-cutting campaign

By William Hall in Zurich

Ciba Specialty Chemicals, which was spun off from Novartis, the large Swiss pharmaceuticals group, earlier this year, has begun cutting prices in an effort to increase market share in its core businesses.

It launched the campaign yesterday as it unveiled a 19 per cent rise in first-quarter sales, to SFr1.9bn ($1.34bn), helped by strong volume growth, favourable exchange rate developments, and a continuing recovery in textile dyes and consumer care.

However, after adjusting for exchange rate movements, sales growth was only 4 per cent in local currency terms. Nevertheless, the figures understate the acceleration in volume growth at the world's second-biggest speciality chemicals group following its emergence from the shadow of Novartis.

Ciba shares, which were priced at SFr110 at the time of the spin-off in March, closed SFr2.50 higher at SFr144 yesterday.

Mr Rolf Meyer, chairman, said Ciba's decision to cut prices in additives, its biggest and most profitable activity, was part of a "deliberate policy to become more aggressive".

First-quarter additive sales of SFr587m were unchanged in local currency terms, but volumes rose 8 per cent. In Asia, there was double-digit growth and imaging and coating additives ebowed particularly strong growth worldwide. Mr Meyer stressed that Ciba was still seeing "very good margins" in additives despite the push for sales growth.

The rate of growth in Ciba'a other core businesses also accelerated in the first quarter, as Ciba's management teams started to enjoy their new commercial freedom.

Sales of performance polymers, Ciba's second biggest business, rose 22 per cent, to SFr386m, and 5 per cent in local currency terms. Price pressures in resins, the biggest unit, were ontweighed by product launches.

In local currency terms, sales of textile dyes rose 8 per cent, to SFr333m; pigment sales rose 6 per cent to SFr320m; and consumer care 8 per cent to SFr289m.

Ciba also released details of its 1996 balance sheet and its first breakdown of profits by division – for 1996 – yesterday. Shareholders' equity of SFr4.4bn and net debt of SFr835m were not much different from the pro forma balance sheet for June 1996.

However, 1996 operating profits from additives fell SFr42m to SFr396m, and profits from performance polymers of SFr107m and pigments of SFr148m were lower. By contrast, textile dyes returned to a profit of SFr69m, after a SFr36m loss, and consumer care profits nearly trebled to SFr77m.

Ciba has set itself a medium-term target of raising the margins performance of all its divisions to above the 9 per cent cost of capital employed.

In 1996 Ciba reported a net loss of SFr515m after deducting a restructuring charge of SFr1.1bn. This year'a profits will be depresaed by the restructuring charge already announced of between SFr250m and SFr300m.

Mr Meyer described the turnround in textile dyes and consumer care, as "satisfying and fast".

He expected the company to pay out around 25 per cent of earnings with the shares yielding 1.5-2 per cent.

BHF chief under pressure to deliver

Takeover talk surrounds the German bank, but its new chairman sees grounds for optimism

Hopes were high et BHF-Bank two years ago. There were few thoughts then of it being the subject of takeover speculation and the focus of restructuring in the German banking industry, as it is now.

Back in 1995, it aimed to shift into higher gear by concentrating on high-margin corporate finance, advisory, trading and asset management business.

The bank expected benefits to start showing through by 1997.

But it has been disappointed – and bid speculation has mounted. Not only did profits fall last year, but the man who announced this strategic refocusing has had to make way for e new chairman.

The bank also had to dip into reserves to maintain its dividend.

Mr Ernst Michel Kruse, who took over the top job from Mr Wolfgang Strutz in March, says trying to speed up change is not enough.

"What is important is what you achieve relative to the competition," he says. The bank may be in better operational shape than a few years ago, "but this is terribly irrelevant".

The question, according to Mr Kruse, is: "Have we gained on the competition, or just moved with them?"

Judging by the 5 per cent drop in operating profits to DM358m ($211m) in 1996, it has hardly gained on its rivals.

The problems are inside the bank – where loan loss provisions rose 73 per cent to DM73m – and with its industrial holdings, which have performed poorly and dragged down profits.

As a result, bid speculation has intensified, with the latest talk suggesting that Bankgesellschaft Berlin – which suffered a far bigger profits setback – was interested in buying control. Both banks say no talks have been held.

Other speculation has centred on Swiss hanks as potential purchasers.

But BHF's institutional shareholders have said they will back the management and not sell their stakes – at least, not yet. Some 45 per cent of the shares are firmly held, mainly by three insurance companies – Allianz, Munich Reinsurance and Alte Leipziger – as well as DG Bank.

"I have control of how and when we look for change," Mr Kruse says, who returned to Germany to join BHF from Chase Manhattan Bank in New York.

"I wouldn't have gone to the trouble of packing and unpacking if I had to worry that the shareholders would bail out on me."

In spite of BHF's problems, he sees grounds for optimism and expects higher profits in 1997. "This is a bank that has more potential than has been realised in the past few years."

Ernst Michel Kruse: 'I have control of how and when'

His main priorities are to tidy up the loan book and see that the industrial holdings – concentrated in the Agiv holding company, in which the bank owns 49.99 per cent – start to pay their way again.

BHF-Bank tried to sell the Agiv stake to Metallgesellschaft, the industrial and trading company which nearly collapsed three years ago after heavy US oil trading losses.

After a rapid recovery, Metallgesellschaft was ready to pay an estimated DM600m for Agiv, which comprises engineering, electronics and industrial service activities. But the deal collapsed in February.

This left the bank with the burden of an industrial stake on which It was receiving no dividend, with no prospect of one this year either.

Mr Kruse's appointment as chairman was then brought forward from May, when he was originally due to succeed Mr Strutz, 63, who was suffering from ill health.

Mr Strutz had pushed through the strategic refocusing into three areas – corporate banking, financial markets and private banking.

Some analysts were sceptical, however, as to how well this would work. Mr Michael Klein, anelyst at Delbrück, a German private bank, says the bank's restructuring has shown little success to date.

He is unhappy with the figures for the first four months of 1997 – a time of buoyant capital markets – when operating profits edged up only 2.5 per cent.

"Nothing seems to be working for BHF," he says.

Under Mr Strutz, BHF made a determined effort to implement its new strategy by investing in new staff and technology, and striving to cut operating costs.

Moreover, its reputation as a competent bank with a strong customer base among middle-sized companies – the so-called Mittelstand – remains.

"The access to clients that we have does not look like the picture of a medium-sized bank," Mr Kruse says. "We don't have to struggle to get through the door."

But that access has to be transleted into improved profits.

Mr Kruse intends to push for more deals among the Mittelstand, where restructuring and generation changes among family owners should lead to opportunities through management buy-outs, stock market flotations and asset management.

He will also try to expand foreign business and offer specialised export financing and other advice to big corporations.

On the loan side, provisions should be lower this year. BHF is trying to spread loan risks through syndication, and to tighten credit risk management.

Agiv, now being streamlined, will need at least another two years before it is healthy enough for BHF to be able to sell its stake or float it on the stock exchange.

"The foundations for a more successful future are there," Mr Kruse saye of BHF's prospects.

If he does not deliver, shareholders are likely to lose patience.

He has to ensure that the strength of BHF's share price – up 36 per cent this year to about DM47 – reflects the bank's success rather than takeover talk.

Andrew Fisher

Daimler predicts sharp increase in 1997 profits

By Graham Bowley in Frankfurt

Daimler Benz is set to report a "substantial" increase in sales and operating profit this year after revenues rose 15 per cent in the first four monthe to DM36.3bn ($21.4bn), Mr Jürgen Schrempp, chairman, said yesterday.

Outlining e buoyant prospect for 1997 on which the industrial group's continued turnround from record losses in 1995 is based, Mr Schrempp said he expected car sales to rise from 645,000 in 1996 to more than 700,000 this year. He said group turnover would rise 10 per cent to DM115bn.

"The company is expecting sales revenues for the year as a whole to be substantially above those posted for the previous year," he told investors at the group's annual shareholders' meeting yesterday.

Mr Schrempp also announced a new limit on the company's stock options which have only recently been introduced.

Under pressure from shareholders, Mr Schrempp said employees receiving stock options would have to wait two years before exercising them.

Analysts were upbeat ebout Daimler's prospects, pointing out that the stronger dollar was helping the group's business.

"This is about time, but Schrempp is delivering at last. Demand in aerospace is rising, cars are fine and the weak D-Mark makes a lot of difference in all of the group's business," said one analyst at a bank in London.

Group turnover rose strongly in western Europe, excluding Germany, and in the US, Daimler said.

Mr Schrempp said the company would dedicate more resources to new, fast growing markets outside western Europe.

"It is in the boom markets of the future – mainly in Asia, but also in Latin America, and central and eastern Europe – where we must raise our profile and further seize the opportunity for growth," he said.

The biggest increase in revenue in the first four months was in the group's aerospace division, where turnover grew 39 per cent to DM3.9bn.

"An improved exchange rate against the dollar hed a favourable impact on turnover at Daimler Benz Aerospace (Dasa)," Daimler said.

Passenger car turnover rose 14 per cent to DM16.2bn while that in commercial vehicles increased 15 per cent to DM11.6bn. Turnover in Daimler'e services division grew 17 per cent to DM4.7bn.

Mr Schrempp reaffirmed his expectation that Daimler would echieve its goal of a 12 per cent return on capital employed with two years.

In 1996, the group recorded an operating profit of DM2.4bn, on e 10 per cent rise in sales to DM106.3bn.

The shares closed down 50 pfennigs at DM135.9.

Allianz launches drive to lift foreign business

By Andrew Fisher in Munich

Allianz, Germany'a biggest insurance group, yesterdey announced plans to become a world leader for insuring big induetrial and infrastructure projects as part of its drive to win foreign business.

It aims to be among the top three insurers for such projects in the big industrialised countries, as well as in growth markets such as south-east Asia and central Europe. Mr Reiner Hagemann, e director, said. Allianz led the German market in this sector, but was not yet big enough elsewhere.

Allianz aimed to increase annual premium income from this husiness – comprising industrial clients with turnover of more than Ecu1bn or $1bn and projects of similar size – by 50 per cent in the next three years to around DM3bn ($1.76bn), he said.

A typical lerge-scale project was the Eurotunnel, where Allianz is leed insurer, he said.

The initiative is part of Allianz's push to increase the proportion of business done outside Germany. At present, domestic and foreign business each account for about half of net profit.

The company is also setting up a company in Zurich with capital of SFr500m to transact so-called "alternative risk transfer" business with companies wanting to insure currency, interest rate and other financial risks.

Mr Henning Schulte-Noelle, chairman, said Allianz was pushing deeper into south-east Asia and eastern Europe in its regular life, property, casualty and other insurance businesses.

These regions made only a small contribution to overall turnover and profits, but "the dynamism of these markets is unmistakeable", he said.

Premium income grew by 35 per cent to DM626m in eastern Europe last year and by 29 per cent to DM326m in Africa and Asia.

This compared with total group premium income of DM74.6bn, up 6 per cent.

Mr Schulte-Noelle forecast a further rise of 11 per ceot to DM83bn in 1997, with DM2bn coming from internal growth and DM8bn from consolidating equisitions.

He has already forecast net profit growth of just over 10 per cent after last year'e 11 per cent rise to DM2.24bn.

Earnings per share rose from DM8.72 to DM9.25.

After-tax return on equity was 11.5 per cent: Allianz's goal is 15 per cent by 2000.

Mr Schulte-Noelle said the group hoped to break even on underwriting – consisting of premiums less claims and expenses – after the loss fell from DM536m to DM148m last year.

The non-underwriting result, consisting of investment income, rose 16 per cent to DM4.3bn, helped by buoyant capital markets.

Profits decline after £40m provisions for restructuring and underperforming foreign contracts

Anglian move brings competition to sector

By Leyla Boulton, Environment Correspondent

Ofwat, the UK water industry regulator, yesterday allowed Anglian Water to buy a neighbouring water company and take on the customer of another in a twin move introducing competition to the monopolistic sector.

Mr Ian Byatt, director-genaral of Ofwat, claared Anglian Water to supply water to Buxted Chickens, previously a customer of a small water company, Essex & Suffolk.

Tha long-awaited deal is the first time one water company has been allowed to compete successfully for the customer of another under e previously unused legal arrangement known as an inset appointment.

In a related move, Mr Byatt also gave Anglian the go-ahead for an agreed £19.5m ($31.8m) takeover of Hartlepool Water, the smallest water-only supplier of England and Wales.

Anglian said Ofwat wanted it to use Hartlepool as a springboard to compete for industrial customers in the Teesside area currently served by Northumbrian Water, the water and sewerage group owned by Lyonnaise des Eaux.

Mr Keith Hall, Hartlepool's managing director said it had approached Ofwat with a view to finding a buyer in order to maintain a high level of performance for both shareholders and customers.

Ofwat agreed with it that Anglian, which is paying a 40 per cent premium on Hartlepool's share price at the close of business on Tussday, was the best choice. Mr Hall said Lyonnaise had also expressed an interest in acquiring tha company, but that had come to nothing.

Yesterday Anglian also announced a 13 per cent fall in pre-tax profits to £208m after making £40m of provisions for poor-performing foreign contracts and a restructuring programme to cut wage costs.

Mr Chris Mellor, finance director, said the provisions included £18.8m for ths international business following cost overruns on a Brazilian sewage treatment plant and political difficulties with a Czech contract to manage a water supplies and sewerage in southern Bohemiá. He said one of the company's strategic aims was to exploit the "huge" potential of international markets for water and sewerage.

Thorn surprises with buy-back

By Christopher Price

Thorn yesterday sprang a double surprise on investors when the rental gronp announced it was returning £87m ($141.8m) to shareholders, but taking a £17m provision for litigation proceedings in the US.

The one-off charge, together with e previously announced £32.9m provision for property leeses, prompted a 28 per cent fall in pre-tax profits to £103m in the 12 months to March 31.

Underlying pre-tax profits were flat at £171m on sales slightly ahead at £1.56bn. Thorn also warned that its "challenging" trading environment would continue in the current year.

However, Thorn shares, which demerged from EMI at 410p in August, but which have since been hit by litigation concerns and disappointing trading, rallied 5p to 155½p on news of the special payment.

Thorn intends to split its shares into new ordinary and B shares, the latter, with a nominal valne, will be repurchased by SBC Warburg on Thorn's behalf.

Mr Mike Metcalf, chief executive, said the management was continuing to take action to arrest the group's problems. At Radio Rentals, the electrical goods rental business, 90 of the least efficient stores had been closed, with the possibility of further cuts to come.

A question mark hangs over other established rental concerns in France and the Benelux countries. Mr Metcalf reiterated the company's desire to sell Fona, its Danish electrical retailer.

Poor trading at Radio Rentals undermined UK profits, which fell 11 per cent to £76.2m. Profits in the US slipped 6 per cent to £106m as the rental market experienced stiff competition.

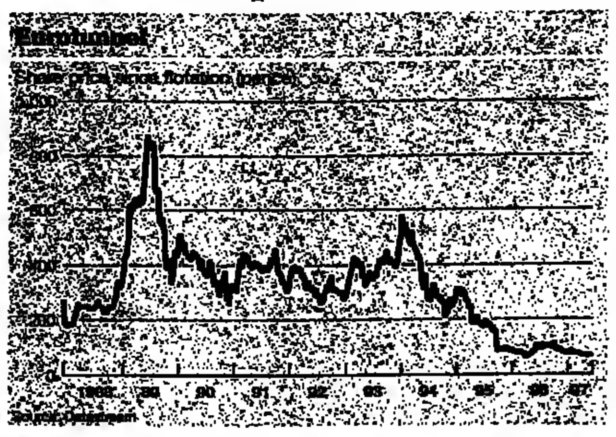
The £17.1m provision has been made after the company lost its final appeal in Minnesota. Thorn has been fighting actions in several states seeking to rule that the company's rent-to-own agreements are contrary to credit sale agreement laws.

There are ontstanding cases in four other states, but Mr Metcalf said the company was confident of a successful outcome.

Gearing fell from 55 to 42 per cent during the year.

Eurotunnel sees light again

Charis Gresser outlines the operator's latest restructuring plan



Eurotunnel, dogged by cost overruns, a fire and one of the highest deficits in UK corporate history, will today unveil its restructuring proposals, complete with dates for the first dividend and a move into profitability.

The company's 700,000 disgruntled investors have heard this tune before. The 1987 flotation prospectus dangled the prospect of a first pay-out by mid-1995. Two subsequent rights issues documents put that back to 1999 and then 2004.

Now the company hopes that with the benefit of a high-speed rail link between London and its UK terminal at Folkestone up and running by 2003, a dividend could be paid by 2006.

An extra year or two in the context of a company in the throes of an £8.54bn ($13.92bn) restructuring may seem academic. Since a number of analysts consider the shares to be near-worthless, and do not expect the shareholders to emerge with much more than a quarter of the company's equity, talk of pay-outs may be greeted by some with a bollow laugh.

But if the shareholders do approve the company's tortuous restructuring, which involves some £1bn of debt converted into shares, and a further £3.7bn exchanged for a complex set of financial instruments, can the company finally deliver on its promises?

Some analysts reckon Eurotunnel could make a pre-tax profit by 2005. One broker narrowed his 2005 forecast to "somewhere between 0 and £100m", which, given the range of assumptions the City needs to juggle, is not surprising.

Traffic volumes, yields, inflation, interest rates, inter-governmental negotiations on extending the concession – these are just a few of the basic premises.

Then there is the behavioural model which some brokers have developed to second guess what Eurotunnel's competitors, the ferries and airlines, will do.

The end of duty free sales in June 1999 is likely to lead to some stability in prices, as ferry operators cut capacity and shrink back from the vicious price war of the past two years. But one analyst said yesterday: "Eurotunnel has assumed once before that ferry operators would simply disappear over the horizon and they didn't".

One analyst has put forward a scenario, under which revenues from the car-carrying shuttle trains jump by 25 per cent, as the price war eases. But even this rosy outlook gives a present value for the Eurotunnel shares of some 30p, compared with yesterday's closing price of 69½p.

Only the fact that Eurotunnel's 225 banks have spent the past 18 months hammering out a proposal to keep Eurotunnel afloat gives the equity some value.

Shareholders have until July 10 to decide whether they approve of the compromise – the proposals contained in today's document. Eurotunnel says the deal will leave investors with between 45.5 and 60.6 per cent of the enlarged equity.

To some City observers, the much debated restructuring still leaves the main problem unresolved. One analyst said: "The project has come in at nearly double the cost and the market is neither twice as large nor twice as valuable and cannot service double the capital base that was originally forecast. No debt has been forgiven. The problem has been thrown forward in the hope it will go away."

Strong quarter at Kingfisher

By Virginia Marsh

Kingfisher, the retail conglomerate, yesterday reported strong first quarter sales, led by increases of more than 20 per cent at B&Q and Comet.

The company said group retail sales in the 13 weeks to May 3 had increased by 10 per cent to £1.36bn ($2.21bn), matching the improvement achieved during the whole of last year.

B&Q, the UK's largest DIY chain, registered a 21.8 per cent rise in sales to £440m (£361.1m) on the back of continuing consumer confidence, a buoyant property market and good spring weather.

Sales at Comet, the electrical chain, were boosted by the acquisition of Norweb Retail for a net £29m last November.

Most analysts expect pre-tax profits of between £430m and £455m this year. Darty, the French electrical retailer, will not make the expected contribution to profits, because of the strength of sterling.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alliders	6 mths to Mar 31	267.8	(440)	16	(8)	15‡	(3.6)	3	Aug 21	2.4	-	6.1§
Anglian Water	Yr to Mar 31	837.1	(775.7)	208♠	(238.6)	88.6‡	(78.1)	24.3	Aug 22	21.1	34.5	30
Borthwicks	Yr to Mar 29	31.9	(33.1)	1.47	(1.6♠)	1.8	(1.8)	0.8	Aug 6	0.8	1.3	1.3
Bristol United	Yr to Mar 31	62.5	(61.2)	8.38	(6.63♠)	20.77	(16.91)	10	July 25	9	15.25	14
Celltech	6 mths to Mar 31	2	(0.1)	5.9L	(3.7L)	7.9L	(5.2L)	-	-	-	-	-
Dawson Intl	Yr to Mar 29 ★	297.4	(313.1)	12.5	(4.3♠)	5.4	(1.5)	1.8	Aug 13	1.5	3.3	3
Golden Rose	6 mths to Mar 31	1.39	(1.19)	0.495L	(1.28L)	3.5L	(9.2L)	-	-	-	-	-
Kelsey Inds	6 mths to Mar 31	27.7	(31.5)	1.08	(1.14)	19.7	(16.9)	6	July 11	6	-	24
Kunick	6 mths to Mar 31	64.9	(58.7)	4.32♠	(4.01)	0.65	(0.55)	0.35	July 11	0.3	-	0.75
Luminar	Yr to Feb 23 ✠	26.1	(21.5)	3.89	(1.39)	17.7	(17.9)	4.67	July 23	-	7	-
PWS	6 mths to Mar 31	5.71	(5.53)	0.532♠	(0.556♠)	1.16	(1.22)	0.3	Aug 4	0.3	-	0.65
Sep Industrial	6 mths to Mar 31	27.8	(28.2)	1.03♠	(3.03)	0.85	(2.27)	0.45	Oct 2	0.65	-	1.75
Thorn	Yr to Mar 31 ✠	1,560	(1,537)	102.9♠	(144♠)	6.7	(16.8)	6.6	Oct 3	-	13.3	-
Triad	Yr to Mar 31	18.8	(11.7)	2.66	(2.13♥)	7.25†	(5.86)	2	Aug 1	-	3	-
Waterfall Φ	6 mths to Mar 30	5.75	(2.47)	0.682	(0.091)	1.91†	(0.92)	-	-	-	-	-
Wolv & Dudley	6 mths to Mar 30	133.3	(118.2)	18.8♥	(18.2♥)	19.6	(18.8)	6.6	June 27	6	-	17

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Emerging	6 mths to Mar 31	122.68	(112.25)	2.1L	(2.06L)	1.12L	(1.1L)	-	-	-	-	-
Invesco Eng & Intl	Yr to Apr 5	192.7	(162.1)	1.44	(1.45)	2.4†	(2.96)	0.7	-	0.6	1.2	1
M&G Income	3 mths to Apr 30	83.2	(80.58)	1.21	(1.78)	1.59	(6.16)	1.1	June 16	1.05	-	5.25
Shires Income	Yr to Mar 31 ★	325	(291.6)	4.53	(5.43)	16.23	(19.64)	4.3	July 31	4.3	18.8	16.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. §Excludes special. ♥After exceptional credit. ‡On reduced capital. †On increased capital. ★ Comparatives restated. ✠Comparatives pro forma. ΦAim stock.

LEX COMMENT

Thorn

Do demergers add value? This is an obvious question to ask of the recently severed twins, Thorn and EMI. The combined values of the two businesses is 28 per cent lower than when they were demerged in August. And Thorn shares have won sub-junk bond status. With a yield of 10.6 per cent and an incremental borrowing cost probably balow 7 per cent, Thorn's proposed £87m share buy-back should enhance cashflow by £5m – and is obviously very earnings-enhancing. The question it raises is why the management does not retire the bulk of its equity in exchange for debt. So has the demerger destroyed value? In the short term, the answer may be yes. Of course, at the time of demerger, Thorn EMI shares had already had a fantastic run, and were buoyed by unfulfilled bid expectations. And market conditions have since deteriorated, while Thorn has been bombarded with bad news, from an adverse US legal judgment to a new tax in the UK. But if Thorn was hidden under the coat tails of EMI, investors would probably have been less scared about it.

Nevertheless, capital markets are pretty efficient, and the problems would have eventually dragged down Thorn EMI's share price. Moreover, Thorn's management would have been protected from the full glare of investor concern. It is now running most of its business for cash, which is good. And EMI is more likely to participate in music industry consolidation, which is also good. Over time, this demerger will pay back for shareholders.

NEWS DIGEST

Rowland attacks proposed merger

Mr Tiny Rowland, who headed the Lonrho conglomerate for 32 years, said yesterday he would sell his shares in the company he founded if it merged with South African mining group JCI.

Mr Rowland, who was ousted from the Lonrho board two years ago, remains the largest private shareholder in the company with "several million shares".

In a fiercely-worded letter to the Lonrho board, Mr Rowland outlined his objections to a proposed merger which could create a £2bn ($3.26bn) mining group with substantial coal, gold and platinum deposits.

The talks are still at a very early stage. Anglo American, which controls 27 per cent of Lonrho, is keen for the deal to go through if it can swap its shares in Lonrho for Lonrho's $400m stake in Ashanti Goldfields of Ghana.

Mr Rowland said in his letter: "Why should Lonrho's shareholders part with Ashanti, the lowest-cost gold producer in Africa, only to receive shareholdings in South African gold mining companies which are far more vulnerable to low gold prices due to their higher production cost."

Charis Gresser

Refashioned Dawson ahead

Dawson International, the Scottish textiles group, claimed yesterday it had been turned around after two years of restructuring, with full-year pre-tax profits up threefold from a restated £4.3m to £12.5m ($20.4m).

But Mr Derek Finlay, who became chairman in March 1995, said trading continued to be tough and the recent strength of sterling had trimmed profits by £900,000.

The knitwear and clothing division, which includes the Pringle, Ballantyne Cashmere, Barrie and Glenmac brands, continued to recover, losing £1.7m (£6.9m) at the operating level. New working methods had been introduced and sales volumes fell slightly as companies focused on higher margin sales. Dawson Cashmere, which makes garments in China for sale in the US, contributed its first sales. In fibres and yarns, the Joseph Dawson subsidiary improved its cost base with a partial transfer of cashmere dehairing to China.

Celltech to refocus

Celltech, the biotechnology company which saw its share price halved last week after it abandoned development of its lead product, yesterday announced it was refocusing its efforts on lower risk projects.

Mr Peter Fellner, chief executive said: "In future we will concentrate on conditions where we can get a clear signal early on whether our product is effective."

Last week, Celltech announced that Norasept, a treatment for septic shock developed with Bayer, the German pharmaceuticals group, had been found to be ineffective after a $150m patient trial in the US. The result came as a blow to one of the UK's most promising biotechnology companies because early trials had provided strong evidence that the drug worked.

Celltech's first product to market is now scheduled to be CMA 676, developed in collaboration with American Home Products as a treatment for acute myloid leukeamia. Celltech aims to register the drug next year if current trials are successful.

Roger Taylor

British Bio director resigns

British Biotech, the UK's largest biotechnology company, has lost its second board director in four months with the resignation of Mr Peter Lewis, director of research and development.

His move follows the departure in February of Mr James Noble, finance director. At the time, the company said Mr Noble was considering other jobs incompatible with his position at Biotech. However, he has not yet taken a new executive position. Biotech said it was still looking for a new finance director.

His departure comes as the company announced a management reorganisation. It is splitting Mr Lewis' board responsibilities between separate directors for research and development. Mr Alan Drummond, Mr Lewis' deputy, will take the post of research director. Ms Pam Kirby, director of international operations with responsibility for commercial activities outside North America, will assuma responsibility for commercial activities worldwide.

Tim Burt on a system that allows steelmakers to 'see inside' blast furnaces and cut costs

Steel's next hot idea

The workers standing near the blast furnace are sweating. Inside the furnaca. one of four operating at Austrian steel plant Voest-Alpine Stahl in Linz, the temperature simmers at around 1,700°C – just about right when producing hot metal.

Although tbe blast furnaces look like those in many European steel plants – tha sama ugly towers and miles of industrial pipework – VA Stahl claims these furnaces are among the most efficient in the world. Over the past year, the company has achieved operational savings of more than $25m (£15m) on each furnace, thanks to an antomation system developed by VAI, VA Stahl's sister company.

VAI, which also developed the innovative LD oxygen steelmaking process and Corex system using non-coking coal, says its blast furnace automation system represents a breakthrough that could promise significant cost savings for manufacturers such as British Steel and Thyssen of Germany.

The company, a subsidiary of Austria's biggest engineering conglomarate VA Tech, has helped antomate the blast furnace process by using computer controls which, it says, provides steelmakers for the first time with detailed information on energy and raw material consumption inside furnaces.

Other process engineering groups are working on similar technology, but VAI is the first to bring its system to the market.

Josef Scheidl, head of research and development at VAI, has spent seven years leading a team developing the as yet un-named product. A brand name, he says, was one of the lesser priorities.

"What we decided at the outset was more important: that a blast furnace was essentially a black box, and no one really knew what was going on inside."

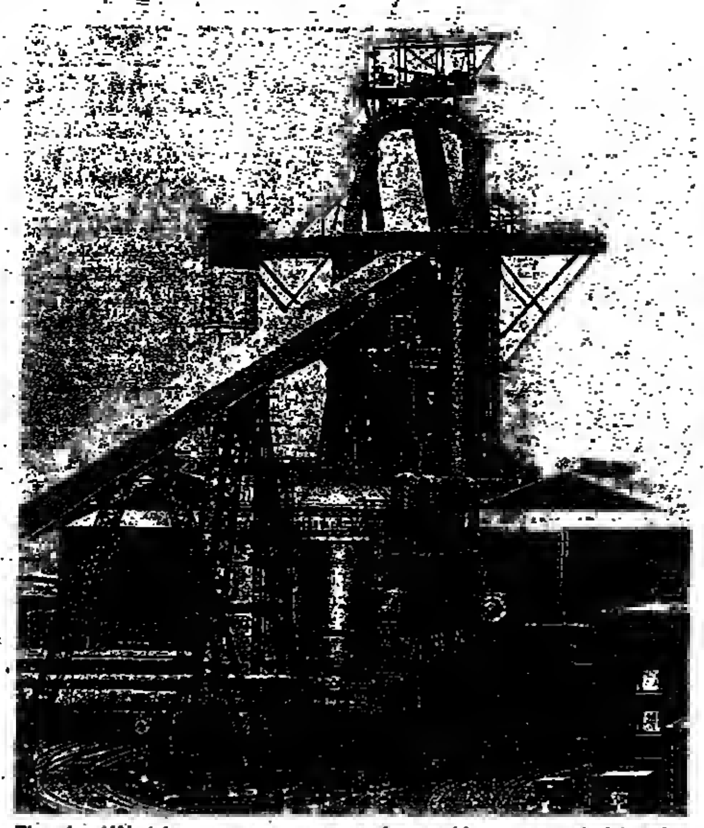
VAI set about building computer models and simulators that would allow steelmakers to "see inside" their furnaces. The so-called kinetic modelling and blast furnace simulation provides operators with three-dimensional computer modelling of temperature flows and waste levels in furnaces.

According to VAI, it enables steelmakers to measure more accurately fuel and raw materials needed for optimum production of hot metal, and thereby promises lower maintenance costs with fewer breakdowns.

The system has been launched after successful trials in furnaces operated by three steelmakers: VA Stahl, Iscor of South Africa and Sicartsa of Mexico.

Scheidl says those companies achieved cost savings of up to $40m a year. "They found that the simulation systems meant they could see what impact the use of certain raw materials had on temperatures inside the furnace, and could detect more easily the potentially costly build-up of waste," he adds.

At Iscor, the "kinetic simulation model" enabled the company to eliminate the need for furnace lining repairs, saving the company almost $9m. Moreover, VAI claims the Windows-based computer monitoring systems can predict slag quantities and determine thermal conditions of the furnace hearth.


Big prize: VAI claims accuracy, energy savings and lower raw material costs

By monitoring more accurately temperature variations inside furnaces, VAI says steelmakers can use the system to improve the match between raw material input and energy consumption, which could in turn improve hot metal quality and extend the lifetime of the furnaces.

According to the company, that equation offers tantalising cost savings for big steel producers. Indeed, Horst Wiesinger, VAI chairman, says the installation of such systems in the 700 conventional blast furnsces in use around the world could lead to savings of $28bn a year for the steel industry. "We have spent years developing blast furnace automation and now we have proved it works," he adds.

Some industry analysts, however, are doubtful.

Martin Doble, managing director of Beddows, the specialist UK-based steel consultancy, says: "There is not much known about this system outside VAI and it is not yet clear bow this will impact on world production."

Nevertheless, he adds that improved efficiency in blast furnace controls – traditionally the most capital intensive part of the eteelmaking process – could greatly enhance the return on assets for steel companies.

Blast furnace technology offering both energy savings and lower raw material costs is a big prize. It has led to intense competition among process engineering companies, particularly over proprietary information.

VAI, for exampla, is locked in a legal dispute with Davy International, the UK-based metals processing arm of Kvaerner, over the alleged removal by VAI employees of confidential documents belonging to the Anglo-Norwegian engineering group.

Davy has started legal action to prevent VAI using any of its proprietary information, while VAI has blamed the episode on employees acting without authorisation. The case is due to be beard in the High Court in London later this summer.

Wiesinger expresees regret over tha incident: "We did not need the technology and have made no use of it."

He claims the company is already working on 50 blast furnace automation projects and has entered contract discussions with potential customers such as British Steel and Bethlehem Steel of the US. Usinor Sacilor of France, which is developing its own blast furnace automation system, bas also contacted VAI abont adopting some of its technology.

The Increasing use of computer aided systems is eeen as an important step towards what is arguably the next big development for the industry: continuous steelmaking. That would involve developing a process that could convert raw materials directly into steel rather than iron ore first, and an end to what industry analysts describe as "the batch production process".

Says Wiesinger: "We believe it could cost $150m to develop and we are looking for a lead customer to work with. But blast furnace automation shows we are at least moving in the right direction."

Easy to find in a Haystack

Tbe pace of pharmaceutical research is accelerating at an astonishing rate. In laboratories where chemists 10 years ago were creating a few new compounds a week for testing as potential drugs, today's automated chemistry systems are turning ont thousands of compounds a day.

Drug companies therefore face a logistical problem in storing and keeping track of all the samples in their vast – and fast-growing – chemical "libraries". A solution has emerged in the form of Haystack, a robotic storage and retrieval system, that has been installed by six of the world's big pharmaceutical gronps, including Zeneca and SmithKlina Beecham in the UK.

Each system costs from £1m to £6m, depending on complexity, and can store up to 5m solid or liquid samples. It is made by The Automation Partnership, a small UK company based at Melbourn Science Park near Cambridge. (The Automation Partnership is an offshoot of The Technology Partnership, a product development company that recently became a big supplier of mobile phone technology.)

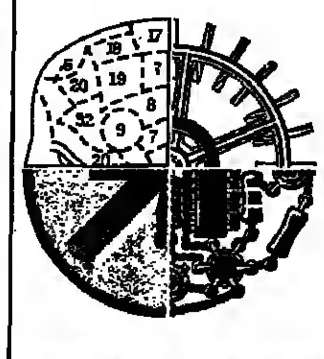
Haystack stores chemicals in bar-coded vials that fit into special trays – also bar-coded – in automated carousels. High-speed robots transfer the vials into and out of the trays, on demand, and conveyors bring them into the laboratory area. The system can be linked to automated weighing robots to dispense milligram quantities of each chemical for testing.

Samples are not arranged according to molecular structure as in e traditional chemical library, says Rosemary Drake, Haystack programma manager at The Automation Partnership. The system puts the sample back into the nearest evailable slot rather than where it originally came from.

"Haystack technology is an important component of our discovery research," says Ken Murray, in charge of drug screening at SmithKline Beecham's new R&D centre in Harlow, Essex. "For me, what is really important is the software side – the quality of data management."

Clive Cookson

Worth Watching · Vanessa Houlder



Device with a nose for landmines

Whatever progress there may be in banning the deployment of landmines, the task of eradicating existing mines remains dangerous.

Researchers in the US are working on the development of an artificial "nose" that can detect small amounts of TNT – the explosive that is often left on the surface of a landmine.

Chemical sensors are deposited on the ends of long optical fibres which can be moved by a robot in the field. The computer-based sensing equipment is at the other end, which is safe from damage if there is an explosion.

The researchers, et Tufts University in Massachusetts, aim to improve the sensitivity of the nose – which can already detect concentrations of several parts per million – by e factor of at least 1m. They also need to improve the nose's ability to detect explosive in the presence of other, far stronger, smells such as flowers or car exhanst fumes.

Tufts University: US, tel 6176273500; http://www.tufts.edu/

Improving aircraft design process

US researchers have developed a computer visualisation techniqne, called grapb morphing, which they believe could improve the design process in aircraft and automotive industries.

Until now, designers working on complicated, large-scale design projects have found it difficult to visualise the impact of a change of more than two or three design variables.

The advantage of the graph morphing techniqne is that it allows engineers to visualise bow changes in the designs will affect the design requirements.

So, for example, an aircraft designer would be eble to see bow lengthening the wing would affect its lift, drag and other critical aspects of its performance.

In two-dimensional grapb morphing, two variables are plotted on the x and y axes, while others are controlled by mouse-operated switches that function like scroll bars on a screen.

The researchers at the University of Buffalo have also found a way of applying virtual reality, which allows the designer to represent trade-offs between different variables in three dimensions.

University of Buffalo: US, tel 7166452626; http://www.buffalo.edu/

Breath of air for asthma sufferers

Inhaling pure oxygen is an important way of treating an acute attack of asthma wben breathing becomes difficult because the airways are constricted. However, the risk of side-effects means this treatment cannot be used at bome.

BOC Group has patented a gas mixture that could overcome some of the problems. Only 40 per ceot of the mixture is oxygen – low enough to prevent side-effects. The remainder is belium – apart from a small amount of carbon dioxide – which helps carry the oxygen to the lungs because it is light and easily diffusible. Clinical trials are dne to start soon.

BOC Gases Europe: UK, tel (0)1483 579857; fax (0)1483 505211.

PCs alarmed for attempted theft

As more organisations are alerted to the threat of computer chip theft, a variety of specialist alarms are becoming available.

A Swansea-based company has designed an alarm that is triggered if someone tries to move the computer or if they remove the cover, prior to stealing the processing chip. The system can link up to eight PCs. If one PC is tampered with, all the linked PCs sound an alarm.

Premier Electronics: UK, tel (0)1792 885044; fax (0)1792 885044.

INTERNATIONAL CAPITAL MARKETS

Italy worst hit in turbulent trading

GOVERNMENT BONDS

By Michael Lindemann in London and Jane Martinson in New York

European government bond markets saw unusually strong after-hours trading last night as investors positioned themselves ahead of a Bundesbank press confsrence. Anxieties about the Bundesbank dominated much of yesterday's trading.

Markets across Europe came off rapidly early in the day after rumours that Mr Hans Tietmeyer, the Bundesbank president, would resign or was contemplating resignation because of disagreements over the recent German government decision to revalue the bank's gold reserves. The Bundesbank said the rumours "had no basis in fact".

By that time, however, markets had suffered their second setback following a private poll in the Swiss newspaper La Tribune de Geneve, whicb showed the Socialists and tbe Communists together winning 310 seats in the French election *against 257 for the right-wing* RPR-UDF alliance.

The afternoon rallies appeared to be mainly driven by technical factors, according to Ms Ros Lifton, bonds analyst at HSBC. Prices rose after investors had been caught short by the sudden bounce in US Treasuries following the April durable goods orders.

Tbe Bundesbank denial also helped settle markets hut the uncertainty about the second round of the Frencb elections lingered and with it worries ahout Emu which meant – as so often – that **ITALIAN BTPs** were the day's biggest losers.

The June BTP future settled at 129.13, down 0.69 on tbe day, but continued downwards to 128.84 in after-hours trading. The lira also weakened, reducing prospects for a cut in the Italian discount rate.

The 10-year yield spread of BTPs over hunds rose 7 basis points to 142 basis points.

FRENCH OATs fell in early trading but recovered some ground later in the day. The June notional future settled at 128.16, then jumped to 128.34 in hectic after-hours trading before sliding back to 128.22.

BUNDS ended the day almost where they had started. The June bund future settled at 100.81, up from Tuesday's close of 100.76. In after hours trading it jumped to 100.94 before coming off again to 100.88.

US TREASURY prices rose at mid-session yesterday on the back of hedge fund buying and interest in Europe.

Renewed interest after more than a week of hedge fund selling pushed the yield of tbe benchmark 30-year bond back below the important 7 per cent barrier. The price rose $\frac{11}{32}$ to $95\frac{9}{16}$, pushing the yield to 6.996 per cent.

"It's a relatively quiet day," said Mr Kevin Sluder, head of trading and sales at First Chicago capital markets. "So a little bit of buying can spike up prices."

A report that orders of durable goods had risen marginally more than expected in April appeared to have little impact.

Extra supply from the auction of $16.5bn in two-year notes yesterday afternoon combined with today's auction of five-year bonds was expected to flatten the yield curve slightly in the coming week.

Prices for the two-year note edged up $\frac{1}{32}$ to $100\frac{5}{16}$, yielding 6.266 per cent while the 10-year bond rose $\frac{7}{32}$ to 99, yielding 6.755 per cent.

The extra snpply at the short-dated end helped push the yield curve down to 72 basis points yesterday.

The curve has steepened since the Federal Reserve Board decided not to raise interest rates last week. Mr Sluder forecast a flatter yield curve by the end of the year.

Borrowers move into 10-year sector

INTERNATIONAL BONDS

By Edward Luce

Borrowers yesterday moved into the 10-year eurodollar sector to exploit the relative scarcity of supply and the more comfortable spreads on offer. The Province of British Columbia and Associates Corp, a US diversified and commercial finance house, led the way, both with $500m offers.

Syndicate officials said investors were looking more towards the 10-year sector to reflect the shift in outlook following last week's meeting of the Federal Reserve's open market committee. "The market is moving quietly from bear to neutral and borrowers are moving up the yield curve to take advantage of that," said one.

In spite of baving been downgraded recently by one notch to AA by Standard & Poor's, **BRITISH COLUMBIA** won investor support yesterday with an offering priced to yield 28 basis points over 10-year Treasuries.

The $500m offer, lead-managed by Merrill Lynch and SBC Warburg, was distributed widely, with strong demand from Asia, the UK, Germany and Switzerland.

Officials said the issue was sold out, with the paper bid at the re-offer price after launch. "There is a lot of pent-up demand for 10-year eurodollar paper and several issues in the pipeline in the next four weeks," one official said. "We thought we'd get the issue in before the rush."

As its first eurodollar issue since 1995, Britisb Columbia also benefited from rarity value, traders said.

ASSOCIATES CORP also pnt its bid in early, with its $500m 10-year offer priced to yield 50 basis points over Treasuries. Lead-managed by Goldman Sachs and J.P. Morgan, the paper was popular with Swiss retail investors. Officials said issues rated AA– in the 10-year corporate sector were rare, with sverage spreads on AAA-rated paper trading in the late 30s and early 40s.

Again, as a rare name in the euromarket, Associate's offering drew strong demand. Officials said the paper was sold out before pricing. The Associate bond was priced somewhat tighter than its counterpart in the US market.

This was Associate's first 10-year eurobond. It issued a five-year eurodollar benchmark last year.

"The five-year sector is basically drying up so we benefited from the shift in demand to 10-years," said one official said. The bond was trading at re-offer in the secondary markets after launch, with most of it going to UK and European fund managers plus some retail demand from Switzerland.

Elsewhere, the **EUROPEAN INVESTMENT BANK** re-opened its £700m December 2006 issue with another £250m tranche. HSBC Markets, which cornered the entire tranche in a block trade, said that EIB wanted to boost the issue's liquidity to make it a more effective substitute for 7½-year gilts.

The issue, priced to yield 10.5 basis points over 7½-year gilts, was timed to coincide with high gilt coupon repayments early next month.

"This will be an exact substitute for the 2006 gilt," said one official. "We are hoping to attract a lot of reflow from those investors."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Province of British Columbia	500	7.125	99.556R	Jun 2007	0.325R	+28(6%-May07)	Merrill/SBC Warburg
Assocs Corp of Nth America	500	7.375	99.621R	Jun 2007	0.35R	+50(6%-May07)	Goldman/JP Morgan
Swedish Export Credit★	350	6.01#	99.13	Jun 2000	0.20	-	Yamaichi Intl(Europe)
First Chicago NBD Corp(a)‡	300	(a1)	99.833R	Jun 2004	0.20R	-	Salomon Brothers Intl
Crédit Local de France	100	6.875	100.025R	Jul 2002	0.25R	+13(WI 5yr)	BIL
Spintab‡	50	(b)	100.10	Dec 1998	0.10	-	Lehman Brothers Intl
D-MARKS							
Synthetic Basket Co(c)	100	8.00	99.50R	Jul 2004	0.625R	+260(6¾%-04)	Dresdner/JP Morgan
YEN							
Republic of Portugal(d)★	10bn	5.00#	100.00	Jun 1999	1.825	-	Citibank International
STERLING							
European Inv'ment Bank(e)	250	7.625	100.983	Dec 2006	0.325	+10½(7½%-06)	HSBC Markets
FRENCH FRANCS							
UCPBD No 2, Class A(f)‡	2.2bn	(f1)	100.00R	Mar 2015	0.15R	-	CNCA/Goldman Sachs
ITALIAN LIRE							
LW Rentenbank(g)	200bn	7.30	101.35	Jul 2004	1.875	-	BNL/IMI Bank Lux
EUROS							
Cerinvest(h,i)	60	5.50	101.65	Dec 2002	1.875	-	Cera Bank
AUSTRALIAN DOLLARS							
Toyota Finance Australia	150	7.00	101.665	Jul 2001	1.75	-	Barclays de Zoete Wedd
Bayerische Vereinsbank	100	8.50	100.74	Jun 2000	1.50	-	Hambros Bank
ESCUDOS							
Achmea Hypotheekbank	9.5bn	zero	53.222	Jun 2007	undiscl	-	Banco Cisf

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. relevant ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Jun 01 at par. a1) 3-mth Libor +7½bp. b) 6-mth Libor flat. c) Linked to emerging market sovereign credits. d) Redeemed in US$. e) Fungible with £700m. Plus 182 days accrued. f) Union de Crédit pour le Batiment Domoe. 10% cleanup call. Av life: 4.1 yrs. f1) 3-mth Pibor +10bp. f2) Class B: FFr82.9m. 3-mth Pibor +37½bp, par, via Sumitomo Finance. g) Issuer may exchange from 1/7/99 into FRN paying 6-mth Libor +15bp. h) Payments in Ecu prior to Emu. i) Long 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Emerging market 'basket bond' debut

The euromarket's first "synthetic" bond to be based on a basket of emerging market issues was launched yesterday with the aim of giving retail investors a share of returns from the high-yielding sector. The DM100m bond, which will trade off the average spread of seven emerging-market issuers, is based on issues from more than one emerging market. A synthetic bond is an instrument linked to returns from an underlying basket of bonds.

Priced to yield 260 basis points over seven-year German bunds, the bond was almost exclusively bought by retail investors, according to officials at J.P. Morgan, which underwrote the issue with Dresdner Kleinwort Benson.

"We chose D-Marks to reflect the strong retail demand for emerging-market paper from the D-Mark bloc, including Switzerland and the Benelux countries," said one official. "We will issue more synthetic emerging market bonds when the demand comes through."

Officials said the spread over bunds was a fair reflection of the underlying bonds, which comprise both Brady and eurobond issues from Brazil, Argentina, Mexico, Venezuela, Ecuador, Russia and Turkey. Venezuela's seven-year D-Mark sovereign is trading at a spread of 276 basis points over bunds, for example. Russia, at a spread of 370 basis points, and Turkey, at 190 basis points, were at opposite ends of the average. Argentina's seven-year D-Mark sovereign is trading at a spread of roughly 200 basis points over bunds.

Edward Luce

City of Moscow loan doubled

The City of Moscow has doubled the size of its debut syndicated international loan to US$200m after oversubscription from syndicate banks. Lead-managed by Deutsche Morgan Grenfell, WestMerchant and Société Général, the syndicate includes a number of east Asian banks, including Equitable Banking Corp – the first Philippine bank to participate in a Russian loan.

"There is very strong interest from Asia in the Russian market," said a syndicate official at WestMerchant in London. "They are attracted by the above-average returns on Russian loans and the potential size of the market."

Priced st 350 basis points over Libor, the Moscow loan coincides with the successful launch of the city's debut eurobond earlier this week. The three-year $500m deal was priced to yield 315 basis points over US Treasuries. The bond has since tightened to below 310 basis points.

The loan, which is the largest "stand-alone" (unguaranteed and pure Russian) facility extended to a Russian borrower, is expected to be viewed as a benchmark by other Russian municipalities. At 350 basis points over Libor, the pricing compares with a $120m loan to Vneshtorg arranged by BZW earlier this month which was priced at a spread of 370 basis points over Libor.

Most other emerging markets, including borrowers in the Czech Republic, Hungary and South Africa, have seen spreads tighten to less than 100 basis points in the last 12 months and in some cases as low as 20 basis points.

Edward Luce

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	94.1418	–0.580	7.63	7.67	7.82
Austria		5.750	04/07	98.3800	–0.320	5.97	5.86	5.87
Belgium		6.250	03/07	101.8000	+0.080	6.00	5.91	5.97
Canada *		7.000	12/06	102.6500	–0.150	6.62	6.47	6.70
Denmark		8.000	03/06	110.4600	+0.040	8.40	6.36	6.56
France	BTAN	4.750	03/02	99.6550	–0.040	4.83	4.73	4.82
	OAT	5.500	04/07	97.5700	–0.090	5.83	5.72	5.78
Germany Bund		6.000	07/07	100.6900	+0.100	5.91	5.89	5.84
Ireland		8.000	08/06	108.6700	–0.040	6.70	6.67	6.71
Italy		6.750	02/07	96.7900	–0.050	7.21†	7.09	7.49
Japan	No 145	5.500	03/02	115.7912	–0.370	1.91	1.82	1.41
	No 182	3.000	09/05	102.1400	–0.280	2.69	2.58	2.16
Netherlands		5.750	02/07	99.5600	+0.060	5.81	5.75	5.73
Portugal		9.500	02/06	119.5000	+0.300	6.49	6.38	6.78
Spain		7.350	03/07	104.8500	–0.530	6.65	6.52	6.90
Sweden		8.000	08/07	106.2632	–0.520	7.11	8.94	7.18
UK Gilts		7.000	06/02	99–22	–2/32	7.08	7.00	7.22
		7.250	12/07	100–07	–1/32	7.22	7.15	7.53
		9.000	10/08	113–04	–1/32	7.28	7.21	7.62
US Treasury *		6.625	05/07	98–31	+4/32	6.77	6.72	6.85
		6.625	02/27	95–09	+11/32	7.00	6.95	7.07
ECU (French Govt)		7.000	04/06	105.8300	+0.130	8.13	6.00	6.15

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
		One month	-	Two year	6.30
Prime rate	8½	Two month	-	Three year	6.47
Broker loan rate	7¼	Three month	5.16	Five year	6.63
Fed.funds	5½	Six month	5.47	10-year	6.79
Fed.funds at intervention	-	One year	5.87	30-year	7.02

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	128.46	128.16	–0.28	128.56	128.06	230,646	157,180
Sep	126.82	126.60	–0.28	127.06	126.54	18,642	18,323
Dec	96.34	96.02	–0.26	96.34	98.34	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	Jul	Sep	PUTS Jun	Jul	Sep
125	3.16	1.99	2.42	-	0.39	0.83
126	2.16	-	1.77	-	0.68	1.17
127	1.17	0.70	1.18	0.01	1.10	1.58
128	0.30	0.31	0.74	0.14	1.71	2.12
129	0.01	0.12	0.40	0.86	2.51	2.78

Est. vol. total, Calls 21,208 Puts 60,560. Previous day's open int., Calls 151,846 Puts 202,401.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.80	100.81	+0.05	101.02	100.43	269110	228171
Sep	99.78	99.78	+0.05	99.95	99.40	15361	40495

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
9950	0.77	1.05	1.28	1.22	0.49	0.77	0.98	1.94
10000	0.50	0.78	0.99	1.02	0.72	1.00	1.21	2.24
10050	0.30	0.56	0.76	0.85	1.02	1.27	1.48	2.57

Est. vol. total, Calls 26328 Puts 18027. Previous day's open int., Calls 116804 Puts 116854

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	130.03	129.13	-0.69	130.32	128.75	96521	68288
Sep	130.72	129.67	-0.65	130.82	129.30	5791	24185

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	Dec	PUTS Sep	Dec
12950	2.16	0	1.99	25.47
13000	1.89	0	2.22	26.97
13050	1.64		2.47	

Est. vol. total, Calls 2408 Puts 4357. Previous day's open int., Calls 26597 Puts 29863

Spain

■ NOTIONAL SPANISH BONO FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	115.70	114.99	–0.53	115.82	114.59	151,135	63,423
Sep	114.98	114.22	–0.61	114.98	113.88	3,530	10,640

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112-17	112-10	-0-02	112-21	111-27	129673	150246
Sep	112-26	112-20	-0-02	112-30	112-05	61711	56436

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
112	1-14	1-40	1-62	2-31	0-38	1-00	1-22	2-15
113	0-43	1-07	1-28	2-01	1-03	1-31	1-63	2-49
114	0-23	0-46	1-02	1-39	1-47	2-06	2-26	3-23

Est. vol. total, Calls 1305 Puts 1175. Previous day's open int., Calls 27634 Puts 18296

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.26	94.24	+0.08	94.66	94.16	2,503	5,108
Sep	-	93.65	+0.08	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	108-24	108-30	+0-07	108-29	108-18	321,765	397,348
Sep	108-14	108-18	+0-08	108-15	108-06	33,262	80,158
Dec	107-26	107-30	+0-01	107-30	107-28	5,450	26,841

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	122.75			122.92	122.50	4242	n/a
Sep	121.32			121.47	121.20	1816	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed May 28	Day's change %	Tue May 27	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.97	0.00	119.97	2.24	4.81
2 5–15 years (21)	152.58	–0.02	152.61	3.51	3.79
3 Over 15 years (6)	178.03	+0.05	178.12	8.56	3.18
4 Irredeemables (5)	201.38	–0.18	201.75	1.06	7.10
5 All stocks (51)	146.61	–0.02	146.64	3.56	4.19

Index-linked					
6 Up to 5 years (2)	204.11	–0.11	204.32	0.95	3.03
7 Over 5 years (10)	195.18	–0.19	195.55	1.31	2.86
8 All stocks (12)	195.06	–0.18	195.42	1.26	2.66

UK Indices

	Low coupon yield May 28	May 27	Yr. ago	Medium coupon yield May 28	May 27	Yr. ago	High coupon yield May 28	May 27	Yr. ago
5 yrs	7.08	7.08	7.50	7.14	7.15	7.55	7.18	7.19	7.64
15 yrs	7.30	7.28	8.22	7.31	7.30	8.24	7.39	7.40	8.33
20 yrs	7.35	7.33	8.30	7.32	7.31	8.31	7.42	7.42	8.37
Irred.†	7.45	7.44	8.33						

	Inflation 5% May 28	May 27	Yr. ago	Inflation 10% May 28	May 27	Yr. ago
Up to 5 yrs	3.54	3.50	2.85	2.88	2.85	1.36
Over 5 yrs	3.69	3.67	3.62	3.48	3.46	3.58

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 28	May 27	May 23	May 22	May 21	Yr ago	High*	Low*
Govt. Secs. (UK)	95.82	95.87	95.91	95.66	96.50	92.26	97.51	93.31
Fixed Interest	119.80	120.35	120.52	120.39	120.66	111.86	121.56	115.32

Gilt Edged Activity Indices

	May 27	May 26	May 22	May 21	May 20
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 28

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97½	97¾	-⅛	7.03
[illegible]					

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

Bundesbank criticism hurts D-Mark

MARKETS REPORT

By Wolfgang Münchau

Last night's tough statement by the Bundesbank on the German government's proposal to revalue the Bundesbank's own gold and foreign currency reserves prompted falls in the D-Mark against the dollar and sterling in late afternoon trading.

Earlier in the day, the D-Mark hit a 16-week high against the French franc, as investors were rattled by rumours of an opinion poll pointing towards a victory of the Left in the final round of voting in Sunday's parliamentary elections in France.

The D-Mark rose from FFr3.378 to close at FFr3.38 yesterday on a day marked by general D-Mark strength before the statement.

The German currency had gained on the US-dollar, closing at DM1.697 after DM1.701 the previous day, but the dollar rose back to over DM1.70 later.

The pound was one of the few currencies to close higher against the D-Mark, ending at DM2.78 after DMN2.771 previously. It continued to rise to DM2.79 in late afternoon trading.

■ The Bundesbank is finally fighting back against the German government and its hugely controversial decision to revalue the gold and dollar reserves. In an uncharacteristically aggressive statement the German central bank said that the decision by Mr Theo Waigel, finance minister, went against everything the government had previously stood for and defended: the Maastricht Treaty, a strong euro and, last not least, Germany's own central banking culture. The statement highlights the tensions currently surrounding monetary union, and seriously adds to the government's woes.

■ A victory by the French Left in Sunday's final election round has become the central forecasting scenario among currency strategists. But the consensus is that the overall currency effect will be limited.

Speculators are still reeling from the Bank de France's vigorous and successful defence of the French currency in the early 1990s.

But some currency strategists also point to more fundamental reasons. Mr Avinash Persaud, currency strategist at JP Morgan, said "the franc is insulated by two events. International investors remain convinced that a change of government means no change of policy for European economic and monetary union. A Socialist victory would indicate that the electorate is willing to stomach less hardship. But there is little prospect of a real change to the fiscal-monetary mix. Fiscal policy may loosen but this is not bad for the French franc."

Mr Jim O'Neill of Goldman Sachs said the market price now reflected expectations of a Socialist-Communist victory. "But this does not matter. People don't like the D-Mark either, so they don't know what to sell the franc against."

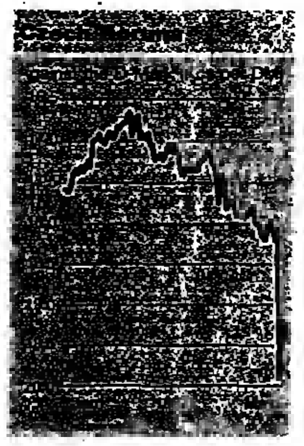
All this would imply that there is no immediate risk to Emu, but a Socialist victory would undoubtedly be seen as a step towards loser fiscal policy throughout Europe. Germany's surprisingly fast conversion to creative accounting, as witnessed by the German government's move to revalue the Bundesbank's gold reserves, and the increasing likelihood of Social Democrat-Green victory at next year's elections, suggests that the long period fiscal tightness is coming to an end in both countries at roughly about the same time.

Mr Richard Medley, a New York-based hedge-fund consultant, said "a Socialist victory makes it impossible that Emu can go ahead without open cheating by either side. Markets understand that Germany now faces a severe challenge to the stability coalition."

The risk posed by Sunday's elections are consequently not to the timetable of Emu but to the nature of Emu.

■ The Czech korune stabilised further yesterday trading just within with its range of 17-19.5 korunas against the D-Mark. The Czech currency was yesterday quoted at 19.25-19.45 after almost falling to 20 korunas the previous day.

Mr Tony Norfield, currency strategist at ABN-Amro Bank in London, forecast that there could be further koruna weakness before a sustained recovery.



■ Pound in New York

May 28	—Latest—	– Prev. close –
£ spot	1.6385	1.6310
1 mth	1.6374	1.6299
3 mth	1.6363	1.6280
1 yr	1.6272	1.6202

■ OTHER CURRENCIES

May 28	£	$
Czech Rp	53.6734 - 53.7310	32.7370 - 32.8010
Hungary	297.998 - 298.360	181.960 - 182.010
Iran	4916.10 - 4915.10	3000.00 - 3000.00
Kuwait	0.4947 - 0.4954	0.3021 - 0.3023
Poland	5.2144 - 5.2340	3.1840 - 3.1840
Russia	9439.70 - 9448.74	5764.00 - 5766.00
U.A.E.	6.0146 - 6.0191	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid. high	Day's Mid. low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.5842	+0.0618	535 - 749	19.6140	19.5375	19.5107	3.5	19.4227	2.9	-	-	103.2
Belgium	(BFr)	57.3812	+0.1922	555 - 069	57.5300	57.2710	57.2262	3.2	56.9112	3.3	55.4812	3.3	103.1
Denmark	(DKr)	10.5886	+0.0352	849 - 947	10.6160	10.5747	10.5649	2.9	10.5116	2.8	10.2909	2.6	105.9
Finland	(FM)	8.3896	+0.0412	822 - 969	8.4010	8.3390	-	-	-	-	-	-	82.2
France	(FFr)	9.3967	+0.0491	922 - 012	9.4098	9.3734	9.3725	3.1	9.3246	3.1	9.102	3.1	105.7
Germany	(DM)	2.7796	+0.0086	782 - 810	2.7877	2.7752	2.772	3.3	2.756	3.4	2.6857	3.4	104.5
Greece	(Dr)	446.148	+2.612	897 - 398	446.844	442.365	-	-	-	-	-	-	64.6
Ireland	(I£)	1.0828	+0.0044	817 - 838	1.0838	1.0766	1.0829	-0.1	1.0816	0.5	1.0749	0.7	88.3
Italy	(L)	2755.58	+23.3	347 - 780	2757.88	2735.94	2757.43	-0.8	2758.88	-0.3	2744.93	0.4	76.0
Luxembourg	(LFr)	57.3812	+0.1922	555 - 069	57.5300	57.2710	57.2262	3.2	56.9112	3.3	55.4812	3.3	103.1
Netherlands	(Fl)	3.1279	+0.0115	265 - 293	3.1351	3.1202	3.1194	3.3	3.1014	3.4	3.0233	3.3	102.8
Norway	(NKr)	11.5841	+0.0477	746 - 935	11.6272	11.5086	11.5536	3.2	11.4941	3.1	11.2481	2.9	98.2
Portugal	(Es)	281.795	+1.796	652 - 938	282.166	277.726	281.645	0.6	281.27	0.7	-	-	93.5
Spain	(Pta)	235.344	+1.579	190 - 498	236.130	234.520	235.184	0.8	234.744	1.0	231.969	1.4	77.5
Sweden	(SKr)	12.5947	+0.1312	878 - 016	12.6071	12.4947	12.5702	2.0	12.5222	2.2	12.3282	2.1	89.5
Switzerland	(SFr)	2.3181	+0.0094	177 - 204	2.3268	2.3153	2.3098	4.8	2.2906	4.9	2.2067	4.8	106.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.0
Ecu	-	1.4286	+0.007	278 - 294	1.4304	1.4243	1.426	2.2	1.4201	2.4	1.3929	2.5	-
SDR†	-	1.17359	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6380	+0.0094	374 - 385	1.6402	1.6303	-	-	-	-	-	-	-
Brazil	(R$)	1.7574	+0.0099	566 - 582	1.7590	1.7471	-	-	-	-	-	-	-
Canada	(C$)	2.2639	+0.016	628 - 650	2.2682	2.2529	2.2576	3.3	2.2462	3.1	2.2045	2.6	84.4
Mexico	(New Peso)	12.9574	+0.0414	493 - 654	12.9731	12.8850	-	-	-	-	-	-	-
USA	($)	1.6382	+0.0093	377 - 387	1.6405	1.6305	1.6372	0.7	1.6352	0.7	1.6274	0.7	102.3
Pacific/Middle East/Africa													
Australia	(A$)	2.1475	+0.015	461 - 488	2.1506	2.1294	2.1469	0.3	2.145	0.6	2.1349	0.6	93.5
Hong Kong	(HK$)	12.6851	+0.0765	804 - 898	12.7021	12.6247	12.6791	0.6	12.6685	0.5	12.6338	0.4	-
India	(Rs)	58.6394	+0.2889	805 - 982	58.6990	58.4350	-	-	-	-	-	-	-
Israel	(Shk)	5.5525	+0.025	459 - 591	5.5620	5.5404	-	-	-	-	-	-	-
Japan	(Y)	189.122	-0.81	991 - 254	190.800	188.760	188.062	6.7	186.052	6.5	177.237	6.3	131.1
Malaysia	(M$)	4.1135	+0.013	114 - 156	4.1199	4.0968	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3734	+0.0158	714 - 753	2.3769	2.3621	2.3733	0.1	2.5742	-0.1	2.3814	-0.3	113.0
Philippines	(Peso)	43.2026	+0.2417	534 - 518	43.2524	43.0354	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1442	+0.035	420 - 463	6.1525	6.1155	-	-	-	-	-	-	-
Singapore	(S$)	2.3422	+0.0126	406 - 437	2.3439	2.3334	-	-	-	-	-	-	-
South Africa	(R)	7.3277	+0.0371	230 - 324	7.3330	7.2816	-	-	-	-	-	-	-
South Korea	(Won)	1462.09	+9.15	755 - 664	1466.75	1455.55	-	-	-	-	-	-	-
Taiwan	(T$)	45.6730	+0.3399	263 - 197	45.7200	45.4257	-	-	-	-	-	-	-
Thailand	(Bt)	42.2574	+0.2066	036 - 112	42.3160	41.9120	-	-	-	-	-	-	-

† Rates for May 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. Owing to technical problems at The WM Company on May 28th, the mid rate and forward rates for the US Dollar on May 27th were incorrect. For correct data please contact the FT Readers Enquiry Service: Fax No. 0171 873 3084.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.9425	-0.0307	396 - 454	12.0080	11.9210	11.92	2.3	11.8713	2.4	11.6225	2.7	102.9
Belgium	(BFr)	35.0270	-0.083	220 - 320	35.2400	34.9560	34.952	2.6	34.797	2.8	34.057	2.8	103.1
Denmark	(DKr)	6.4643	-0.0155	633 - 653	6.5016	6.4515	6.4525	2.2	6.4278	2.3	6.3158	2.3	105.1
Finland	(FM)	5.1212	-0.0042	183 - 241	5.1449	5.1060	5.1093	2.8	5.0849	2.0	4.9767	2.9	81.8
France	(FFr)	5.7360	-0.0028	350 - 370	5.7648	5.7290	5.7243	2.4	5.7016	2.4	5.5985	2.9	105.3
Germany	(DM)	1.6968	-0.0044	964 - 971	1.7071	1.6935	1.6931	2.6	1.6854	2.7	1.6485	2.8	104.1
Greece	(Dr)	272.340	+0.04	270 - 410	273.580	271.190	273.225	-3.9	274.765	-3.6	281.04	-3.2	64.5
Ireland	(I£)	1.5130	+0.0025	120 - 140	1.5170	1.5095	1.5123	0.5	1.5117	0.3	1.5085	0.3	-
Italy	(L)	1682.05	+4.65	130 - 280	1684.07	1676.02	1683.95	-1.4	1686.65	-1.1	1688.92	-0.4	76.0
Luxembourg	(LFr)	35.0270	-0.083	220 - 320	35.2400	34.9560	34.952	2.6	34.797	2.8	34.057	2.8	103.1
Netherlands	(Fl)	1.9094	-0.0039	091 - 098	1.9201	1.9055	1.9059	2.6	1.8987	2.7	1.8562	2.8	102.6
Norway	(NKr)	7.0712	-0.0113	676 - 748	7.1080	7.0595	7.0539	2.9	7.0285	2.4	6.9027	2.4	97.4
Portugal	(Es)	172.015	+0.115	980 - 050	172.350	170.060	172	0.1	171.935	0.2	170.825	0.8	94.1
Spain	(Pta)	143.660	+0.145	610 - 710	144.250	143.550	143.68	0.0	143.583	0.2	142.325	0.9	77.5
Sweden	(SKr)	7.6883	+0.0364	826 - 900	7.7029	7.6612	7.6769	1.6	7.6563	1.6	7.5816	1.6	83.7
Switzerland	(SFr)	1.4156	-0.0024	152 - 160	1.4260	1.4127	1.4107	4.1	1.401	4.1	1.3553	4.3	105.6
UK	(£)	1.6382	+0.0093	377 - 387	1.6405	1.6305	1.6372	0.7	1.6352	0.7	1.6274	0.7	98.2
Ecu	-	1.1487	+0.0009	484 - 470	1.1500	1.1411	1.1482	-1.5	1.1515	-1.7	1.1691	-2.0	-
SDR†	-	0.718541	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0728	-	726 - 729	1.0740	1.0716	-	-	-	-	-	-	-
Canada	(C$)	1.3820	+0.0019	817 - 822	1.3864	1.3807	1.379	2.6	1.3735	2.5	1.3545	2.0	84.1
Mexico	(New Peso)	7.9095	-0.02	070 - 120	7.9120	7.9060	6.018	-18.5	8.2195	-15.7	9.2145	-13.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3109	+0.0017	104 - 113	1.3118	1.3060	1.3113	-0.4	1.3114	-0.2	1.3104	0.0	95.9
Hong Kong	(HK$)	7.7433	+0.0025	428 - 438	7.7445	7.7414	7.7443	-0.2	7.7467	-0.1	7.7558	-0.2	-
India	(Rs)	35.7950	-0.0275	700 - 200	35.8400	35.7700	35.885	-3.0	36.17	-4.2	33.975	5.1	-
Israel	(Shk)	3.3894	-0.0041	864 - 924	3.3985	3.3859	-	-	-	-	-	-	-
Japan	(Y)	115.445	-1.18	400 - 490	117.000	115.190	114.89	5.8	113.785	5.8	108.885	5.7	130.9
Malaysia	(M$)	2.5110	-0.0064	105 - 115	2.5189	2.5075	2.5133	-1.1	2.5174	-1.0	2.5343	-0.9	-
New Zealand	(NZ$)	1.4488	+0.0013	480 - 495	1.4501	1.4476	1.4496	-0.7	1.452	-0.9	1.4621	-0.9	-
Philippines	(Peso)	26.3720	-0.003	500 - 940	26.3940	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.7506	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4297	-0.0005	292 - 302	1.4325	1.4292	1.4281	1.4	1.424	1.6	1.4022	1.9	-
South Africa	(R)	4.4730	-0.0029	715 - 745	4.4780	4.4715	4.5125	-10.6	4.59	-10.5	4.886	-9.3	-
South Korea	(Won)	892.500	+0.5	000 - 000	895.300	890.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.8800	+0.045	600 - 000	27.8150	27.8580	27.8806	0.0	27.882	0.0	27.8863	0.0	-
Thailand	(Bt)	25.7950	-0.02	700 - 200	25.8450	25.8900	25.8563	-2.8	25.98	-2.9	26.55	-2.9	-

† SDR rate per $ for May 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 23: Base average 1990=100. Owing to technical problems at The WM Company on May 28th, mid rates derived by WM/Reuters and published on May 27th were incorrect. For correct data please contact the FT Readers Enquiry Service: Fax No. 0171 873 3084.
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WORLD INTEREST RATES

MONEY RATES

May 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 1/8	3 1/4	3 5/16	3 3/8	3 13/32	6.00	2.50	-
France	3 1/4	3 9/32	3 11/32	3 3/8	3 1/2	3.10	-	4.75
Germany	3 1/8	3 1/8	3 1/8	3 1/8	3 1/4	4.50	2.50	3.00
Ireland	6	6 1/8	6 1/4	6 3/8	6 1/2	-	-	6.75
Italy	6 5/8	6 13/16	6 3/4	6 5/8	6 17/32	8.25	6.75	6.78
Netherlands	3 1/4	3 1/8	3 1/8	3 1/4	3 13/32	-	3.00	2.80
Switzerland	1/2	1 1/2	1 3/8	1 1/4	1 3/8	-	1.00	-
US	5 1/2	5 5/8	5 3/4	5 15/16	6 1/8	-	5.00	-
Japan	7/16	1/2	1/2	5/8	7/8	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 11/16	5 13/16	5 31/32	6 1/4	-	-	-
US Dollar CDs	-	5.47	5.59	5.74	6.06	-	-	-
ECU Linked Ds	-	4 1/8	4 1/8	4 1/4	4 3/8	-	-	-
SDR Linked Ds	-	3 1/2	3 5/8	3 3/4	3 7/8	-	-	-

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	6 - 5 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7 - [illegible]
Swiss Franc	[illegible]	1 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.29	96.23	-0.07	96.32	96.21	51,844	62,038
Sep	96.31	96.28	-0.05	96.34	96.25	25,098	61,791
Dec	96.31	96.29	-0.03	96.35	96.27	12,652	34,897

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.81	96.81	-	96.81	96.80	11212	223480
Sep	96.74	96.74	+0.01	96.75	96.73	17814	214918
Dec	96.58	96.59	+0.01	96.60	96.57	20004	236024
Mar	96.45	96.45	+0.01	96.47	96.42	22478	210583

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.84	96.84	+0.01	96.84	96.84	100	1882
Jul	96.82	96.82	+0.01	96.82	96.82	20	400
Aug	-	96.80	-	-	-	0	119
Sep	-	96.78	-	-	-	0	3

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.29	93.13	-0.14	93.31	93.09	27141	102644
Sep	93.59	93.40	-0.18	93.62	93.37	25664	92654
Dec	93.75	93.57	-0.18	93.77	93.55	8938	54571
Mar	93.81	93.64	-0.15	93.83	93.62	3346	37429

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.71	98.66	-0.01	98.72	98.63	12103	49897
Sep	98.66	98.60	-0.02	98.68	98.58	6901	28014
Dec	98.45	98.40	-0.01	98.45	98.37	5232	28738
Mar	98.31	98.26	-0.02	98.31	98.22	2743	14290

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.35	-0.02	-	-	0	n/a
Sep	-	99.00	-0.05	-	-	0	n/a
Dec	98.78	98.77	-0.08	98.78	98.78	1408	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.84	95.78	-0.08	95.84	95.75	1044	8080
Sep	95.83	95.78	-0.05	95.93	95.75	1023	6886
Dec	95.74	95.69	-0.04	95.74	95.68	456	5365
Mar	95.64	95.60	-0.04	95.65	95.61	187	3606

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9300	0.19	0.53	0.74	0.06	0.13	0.17
9325	0.06	0.36	0.55	0.18	0.21	0.23
9350	0.02	0.22	0.40	0.39	0.32	0.33

Est. vol. total, Calls 11833 Puts 5387. Previous day's open int., Calls 168130 Puts 83210

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.38	4.844	1.887	4802	5.451	20.16	491.1	410.1	21.94	4.041	1.743	3.946	2.855	329.8	2.490
Denmark	(DKr)	54.19	10	8.873	2.625	1.022	2602	2.954	10.94	266.1	222.2	11.89	2.190	0.944	2.138	1.547	178.6	1.349
France	(FFr)	61.07	11.27	10	2.958	1.152	2932	3.329	12.33	296.9	250.5	13.40	2.468	1.064	2.409	1.743	201.3	1.520
Germany	(DM)	20.64	3.810	3.380	1	0.390	991.3	1.125	4.167	101.4	84.67	4.530	0.834	0.360	0.614	0.589	68.04	0.514
Ireland	(I£)	53.00	9.780	8.679	2.567	1	2545	2.889	10.70	260.3	217.4	11.63	2.142	0.924	2.091	1.513	174.7	1.318
Italy	(L)	2.082	0.384	0.341	0.101	0.039	100	0.114	0.420	10.23	8.541	0.457	0.084	0.036	0.082	0.059	6.863	0.052
Netherlands	(Fl)	18.34	3.386	3.004	0.889	0.346	880.9	1	3.703	90.09	75.24	4.026	0.741	0.320	0.724	0.524	60.46	0.457
Norway	(NKr)	49.53	9.142	8.112	2.400	0.935	2379	2.700	10	243.3	203.2	10.87	2.002	0.863	1.954	1.414	163.3	1.233
Portugal	(Es)	20.36	3.758	3.335	0.986	0.384	977.9	1.110	4.111	100	83.52	4.468	0.823	0.355	0.803	0.581	67.11	0.507
Spain	(Pta)	24.38	4.500	3.993	1.161	0.460	1171	1.329	4.922	119.7	100	5.350	0.985	0.425	0.962	0.696	80.36	0.607
Sweden	(SKr)	45.57	8.410	7.463	2.208	0.860	2188	2.484	9.200	223.8	186.9	10	1.842	0.794	1.798	1.301	150.2	1.135
Switzerland	(SFr)	24.74	4.566	4.052	1.199	0.467	1188	1.349	4.995	121.5	101.5	5.430	1	0.431	0.976	0.706	81.56	0.616
UK	(£)	57.38	10.59	9.397	2.780	1.083	2756	3.128	11.58	281.6	235.3	12.59	2.318	1	2.264	1.638	189.1	1.429
Canada	(C$)	25.35	4.676	4.151	1.228	0.478	1217	1.382	5.117	124.5	104.0	5.562	1.024	0.442	1	0.724	83.53	0.631
USA	($)	35.03	6.464	5.736	1.697	0.661	1682	1.909	7.071	172.0	143.7	7.686	1.416	0.610	1.382	1	115.4	0.872
Japan	(Y)	30.34	5.599	4.969	1.470	0.573	1457	1.654	6.125	149.0	124.4	6.658	1.226	0.529	1.197	0.866	100	0.755
Ecu	-	40.17	7.413	6.577	1.946	0.758	1929	2.190	8.109	197.2	164.7	8.814	1.623	0.700	1.585	1.147	132.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. Owing to technical problems at The WM Company on May 28th, the rates published on May 27th were incorrect. For correct data please contact the FT Readers Enquiry Service Fax No. 0171 873 3084.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5872	0.5895	+0.0030	0.5896	0.5865	28,796	75,495
Sep	0.5910	0.5931	+0.0027	0.5933	0.5910	744	4,969
Dec	0.5967	0.5967	+0.0022	0.5971	0.5967	6	522

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8588	0.8678	+0.0084	0.8686	0.8570	15,173	78,651
Sep	0.8701	0.8787	+0.0091	0.8798	0.8698	621	5,600
Dec	-	0.8905	+0.0083	0.8905	0.8815	203	654

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7062	0.7079	+0.0031	0.7079	0.7026	18,448	46,187
Sep	0.7122	0.7180	+0.0032	0.7160	0.7120	804	5,851
Dec	0.7226	0.7235	+0.0025	0.7235	0.7228	13	443

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6308	1.6342	+0.0040	1.6368	1.6302	6,496	37,028
Sep	1.6300	1.6314	+0.0042	1.6314	1.6300	336	4,538
Dec	-	1.6260	+0.0036	1.6280	-	1	117

UK INTEREST RATES

LONDON MONEY RATES

May 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Certs of Tax dep. under £100,000 is [illegible]pc. Deposits withdrawn for cash [illegible]pc. Ave. tender rate of discount on May 23, [illegible]pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 26, 1997 to Jun 24, 1997, Scheme III [illegible]pc. Reference rate for period Mar 29, 1997 to Apr 30, 1997, Scheme IV & V [illegible]pc. Finance House Base Rate [illegible]pc from May 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.40	93.35	-0.05	93.40	93.34	15757	113794
Sep	93.17	93.13	-0.04	93.18	93.11	29651	106025
Dec	92.98	92.93	-0.04	92.98	92.90	15877	96644
Mar	92.83	92.79	-0.04	92.84	92.77	7093	60669
Jun	92.74	92.69	-0.04	92.74	92.67	8599	43367

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.12	0.07	0.07	0.02	0.19	0.39
9350	0.01	0.01	0.02	0.16	0.38	0.59
9375	0	0	0.01	0.40	0.62	0.83

Est. vol. total, Calls 8880 Puts 9416. Previous day's open int., Calls 177900 Puts 173923

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	•Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	•Smith & Williamson Secs	6.25
•Henry Ansbacher	6.25	Financial & Gen Bank	7.00	Scottish Widows Bank	6.25
Bank of Baroda	6.25	•Robert Fleming & Co	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	•Guinness Mahon	6.25	United Bank of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	•Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	Hongkong & Shanghai	6.25		
Brit Bk of Mid East	6.25	Investec Bank (UK) Ltd	6.25	• Members of London Investment Banking Association	
•Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	* In administration	
Citibank NA	6.25	•Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	•Rea Brothers	6.25		
		Royal Bk of Scotland	6.25		

EMS EUROPEAN CURRENCY UNIT RATES

May 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792709	0.760670	-0.000515	-4.74	7.37	32
Portugal	197.398	197.908	+0.28	0.26	2.02	-2
Finland	5.85424	5.89864	+0.0035	0.75	1.21	-5
Spain	165.826	165.598	+0.318	1.07	1.20	-7
Denmark	7.34555	7.45030	-0.00052	1.43	0.85	-10
Netherlands	2.16979	2.20077	+0.00011	1.43	0.84	-11
Italy	1906.48	1934.02	+4.37	1.44	0.83	-10
Germany	1.92573	1.95585	+0.00013	1.56	0.71	-15
Austria	13.5485	13.7667	-0.0018	1.60	0.67	-12
Belgium	39.7191	40.3781	+0.0012	1.66	0.62	-12
France	6.45863	6.60610	+0.00148	2.28	0.00	-19
NON ERM MEMBERS						
Greece	295.269	313.092	-0.147	6.04	-3.54	-
UK	0.786010	0.703258	-0.00215	-11.33	15.35	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.600	3.94	4.00	4.41	0.31	0.84	1.37
1.620	1.73	2.38	2.87	0.74	1.47	2.10
1.630	1.18	1.82	2.40	1.18	1.91	2.53
1.640	0.68	1.36	1.96	1.75	2.51	3.10

Previous day's vol., Calls 320 Puts 682. Prev. day's open int., Calls 34,405 Puts 35,093

■ PHILADELPHIA SE DM/$ OPTIONS DM62,500 (cents per DM)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
0.585	0.58	0.92	1.20	0.41	0.82	1.08
0.590	0.35	0.66	0.97	0.65	1.08	1.30
0.595	0.21	0.46	0.75	1.01	1.19	1.32

Previous day's vol., Calls 817 Puts 1,476. Prev. day's open int., Calls 23,060 Puts 32,223

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.18	94.17	-	94.18	94.16	37,041	433,174
Sep	93.94	93.94	-	93.95	93.92	78,583	471,866
Dec	93.68	93.67	-	93.68	93.65	85,266	369,874

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.83	94.83	-	94.83	94.81	631	4,665
Sep	94.54	94.54	-	94.54	94.53	341	5,195

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9675	0.06	0.04	0.05	0.07	0	0.05	0.06	0.08
9700	0	0.01	0.01	0.13	0.27	0.27	0.27	0.28
9725	0	0	0	0	0.44	0.51	0.51	0.51

Est. vol. total, Calls 5179 Puts 6001. Previous day's open int., Calls 486891 Puts 299977

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9875	0.03	0.07	0.06	0.12	0.22	0.44
9900	0	0.02	0.03	0.34	0.42	0.83

Est. vol. total, Calls 450 Puts 50. Previous day's open int., Calls 2275 Puts 1940

COMMODITIES AND AGRICULTURE

Nestlé lifts coffee prices 5%

MARKETS REPORT

By Alison Maitland, Susanna Voyle and Robert Corzine

Nestlé, which has 55 per cent of the UK instant coffee market, yesterday announced that it was raising its prices by 5 per cent as futures market prices hit fresh 20-year highs.

Coffee prices in Naw York extended their sharp rally on news of colder weather reaching Brazil – despite no frost being predicted.

Ms Judith Ganes, an analyst with Merrill Lynch in New York, said the market was "overdone". "But you can't halt this rise," she added. "The whola thing is crazy."

The US market – which trades arabica, the high-grade beans – has been driving the recent rally on the world'a futures markets which set coffee prices.

A volatile mixture of tight supply, low stocks and fear of frost in Brazil has tempted investment funds into the markets, driving up the price.

On New York's Coffee, Sugar and Cocoa Exchange the benchmark July contract reached 291.25 cents a pound, a 20-year high. Just before midday it had fallen back slightly to 285.50, a rise of 11.2 cents on the day.

Robusta futures on London's International Financial Futures Exchange followed in the wake of New York's surge, with the July contract reaching its highest level in 18 months. It ended the day up $158 at $2,260 a tonne.

Nestlé said its retail price increase was due to *the continuing escalation* in world coffee prices, which had risen by 150 per cent this year. "The supply of high quality beans is not matching increasing demand."

A 100g jar of Nescafé, which has a 40 per cent share of the £700m instant market, will go up 10p next month to about £2. The price of the premium-priced Gold Blend will rise 7 per cent.

Nestlé's prices are now about 14 per cent higher than at the start of the year, following a rise in March.

The company described the latest rise as "moderate", saying it was assuming world prices would fall back in the latter part of the year. Its move follows sharp increases for *coffee in the US* and continental Europe announced by other manufacturers in the last two weeks.

Crude oil prices were generally steady as traders waited for the latest inventory data from the US to provide the market with a new direction.

In late London trading the bellwether Brent Blend for July delivery was hovering around its close on Tuesday of $19.22 a barrel. Yesterday's steady session followed a sharp sell-off on Tuesday, when July Brent dipped 78 cents a barrel.

Pulpex contract takes on Helsinki

At the start of the year, if you wanted to manage price risk in the pulp and paper industry there was nowhere to turn. From today there will be a choice of two markets.

But it is not just those in the forestry industry wbo will be watching the launch of London's Pulpex contract today with interest. As OMLX's new exchange goes into head-to-head competition with the Helsinki exchange, many big industrial concerns will be waiting to see what advantages a stable pulp and paper market could bring to them.

Interest is keen, both inside the paper industry end beyond – from nappy and sanitary wear producers, newspaper publishers and packaging manufacturers to financial speculators.

And those wbo deal with the industry's big players will also feel the benefit. Southern Energy, a subsidiary of Southern Company, the US's largest listed utility, numbers paper producers among its biggest customers. It sees pulp derivatives as a tool to reduce its risk exposure, and runs seminars to spread the gospel among forest industry executives.

"[We] would feel more secure from an exposure point of view if [our customers] have less volatile earnings," says Mr Joseph Pokalsky, Southern Energy senior vice-president. He predicts that companies which utilise *forward* contracts will benefit from improved financial planning and lower lending costs because the market will demand a lower risk premium.

Pulp, as the prime ingredient of paper, is the key determinant of paper prices. Supporters of pulp derivatives say use of hedging will insulate companies from cyclical price swings, facilitate investment decisions and make it easier for companies to attract capital.

Until the Finnish Options Exchange launched its service in February, pulp was the largest commodity without a futures market. The market's size is 40m tonnes, or more than $20bn, a year.

Yet judging by the experience of Helsinki, building up the liquidity required for a well-functioning market may be no easy task. Trading there *has been sporadic and* volumes well below the expected level of 20,000 contracts in the first year.

FOEX's system is based on cash settlement, with the price being determined by an industry benchmark index. The OM scheme is based on physical delivery, which proponents believe will yield a more accurate transaction price and make it more attractive.

OM *has* the added advantage of launching when pulp prices are moving upward. FOEX started when pulp prices were depressed and insufficient to cover suppliers' costs. The result was a *surfeit* of willing buyers, but few sellers.

"We have realistic expectations of the first few months of trading," says Mr Marcus Hamberg, OM vice-president, "but we firmly believe this will turn into a high volume product in the longer term."

OM claims the backing of large forestry companies in Europe, the US and Latin America. The list includes SCA and Stora, both of Sweden, and Georgia-Pacific of the US.

What mystifies some is that pulp derivatives have not materialised earlier. The answer lies largely in the industry's endemic conservatism. Executives bave prided themselves on an ability to manage the swings.

Volatility has, however, intensified steadily over the past 25 years, reaching a peak wben the price lurched from below *$400* a tonne in 1993 to $1,000 a tonne in 1995 and back down to $520 a tonne early this year.

Such wild movements have belped concentrate companies' minds on the potential for hedging. Mr Ingvar Petersson, Stora chief *financial officer, was among* the sceptics a year ago. He says now that Stora intends to use the new market. "Whether this is going to dampen volatility or not is too early to say," he says, "but I think it is good for the industry overall."

Greg McIvor

Pulp futures: competition starts

Romania increases grain exports

By Anatol Lieven in Budapest

Romania is set to export about 1.5m tonnes of wheat and 1.2m tonnes of corn this year, the highest figures in a decade. A US State Department report published yesterday says the country is on the way to becoming a leading world grain exporter.

The rise, which matches Romanian government predictions, is due in part to unusually favourable weather. The wheat harvest this year is estimated at abont 8m tonnes if the weather holds – more than double last year's 3.1m tonnes, when acute flooding rednced the harvest and exports were halted, and more than the bumper 1995 harvest of 7.8m tonnes.

However, the grain available for export will rise by some 200,000 tonnes – mainly because of a drop in domestic consumption as Romania reduces *its state* pig and poultry farms.

The country may, however, run into difficulties at the port of Constanta and along the Danube. In 1995, a shortage of facilities delayed exports and led to the loss of some grain. Romania is now *planning* a *big grain silo* at Constanta, with a capacity of 100,000 tonnes – but it may not be ready in time.

Part of the new government's *strategy* is to make Romania a key exporter to the growing markets of central Asia, especially if oil wealth *boosts individual* consumption there.

Agriculture and agricultural exports are more important for Romania than any other major east European country. The sector accounts for about 35 per cent of employment and 20 *per cent of gross domestic* product.

COMMODITIES NEWS DIGEST

EU milk system reform urged

The European Union risks pricing itself out of the world dairy market if it fails to reform its milk quota system at the turn of the century, Mr Jack Cunningham, the UK agriculture minister, warned yesterday. Fresh from a farm ministers' meeting in the Netherlands which discussed the dairy regime, Mr Cunningham said EU dairy products were already the most expensive in the world because of quotas and internal price supports.

There was *potential for a global expansion in dairy* trade, particularly in value-added products such as cheese. But preserving the EU system would send a message to competitors like the US and Australia to "go get it fellows, it's all yours. That's not a very strong position to enter the next round of [world trade] talks," Mr Cunningham added.

The European Commission is to put forward proposals for reforming the dairy sector in July, after warning that the need to reduce subsidised exports and the prospective eastward enlargement of the EU made the status quo unsustainable. *Alison Maitland, London*

NSW shake-up for Rio Tinto

Rio Tinto, the Anglo-Australian mining group previously known as RTZ-CRA, is to combine the management of its troubled New South Wales-based coal businesses, a move which it said should generate annual cost savings of about A$12m (US$9.9m).

Mr Leigh Clifford, chief executive of the Rio Tinto Energy division, admitted that the performance of the NSW operations was "atrocious" compared with coal businesses elsewhere in the group, but claimed the change should be seen as "a prelude to lifting performance".

The mines are owned partly by Coal & Allied, in which Rio Tinto has a 71.5 per cent stake, and partly by Novacoal, a wholly-owned subsidiary. There has been speculation that Rio Tinto might divest some or all of these mines, but Mr Clifford said the group was *still* committed to trying to lift the performance. "People beating a path to the door, trying to buy these assets cheaply, should not bother," ha said. *Nikki Tait, Sydney*

Scottish gold mine delayed

Construction of Scotland's first underground gold mine, at Cononish on the lower slopes of Ben Lui in Perthshire, has been delayed by a year until next March at the earliest. Mr Chris Sangster, general manager at the Cononish project, being developed by Caledonia Mining, a Toronto-quoted company, said design work had fallen behind schedule and, consequently, final approvals had not yet been received from the local council and *government* authorities.

"Because of the exposed location, we have been strongly advised that we should not attempt any actual building on the site in winter, between October and March," he said. "So we have missed the 'construction window' for the summer of 1997."

Cononish is expected to produce some 25,000 troy ounces of gold a year once it is in full production. During construction it should employ 80 and then provide 50 long-term mining jobs. *North Scottish News Services*

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1625.5-6.5	1639-40
Previous	1627.5-28.5	1640-41
High/low	1620/1619	1645/1630
AM Official	1619-20	1631-31.5
Kerb close		1644-5
Open int.	267,359	
Total daily turnover	82,063	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1478-1483	1501-3
Previous	1465-75	1490-500
High/low		1496/1492
AM Official	1471-72	1495-96
Kerb close		1505-10
Open int.	5,186	
Total daily turnover	1,512	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	636-7	644.5-5.0
Previous	628.5-29.5	637-38
High/low		646/632
AM Official	625.5-26.5	634-35
Kerb close		640-1
Open int.	35,453	
Total daily turnover	7,176	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7185-90	7295-300
Previous	7240-50	7350-60
High/low		7370/7260
AM Official	7220-21	7330-35
Kerb close		7275-80
Open int.	50,203	
Total daily turnover	17,840	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5635-40	5680-90
Previous	5665-75	5720-30
High/low		5730/5660
AM Official	5655-65	5705-10
Kerb close		5660-70
Open int.	14,915	
Total daily turnover	4,252	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1342-3	1364-5
Previous	1340-41	1362-63
High/low	1339	1368/1352
AM Official	1338-39	1359-60
Kerb close		1359-60
Open int.	90,820	
Total daily turnover	20,863	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2602-4	2528-30
Previous	2589.5-91.5	2513-14
High/low	2580/2579	2540/2503
AM Official	2579-80	2511-12
Kerb close		2530-31
Open int.	136,933	
Total daily turnover	72,548	

■ LME AM Official £/$ rate: 1.6345
LME Closing £/$ rate: 1.6263

Spot: 1.6292 3 mths: 1.6263 6 mths: 1.6237 9 mths: 1.6211

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	118.00	+0.90	118.40	117.50	444	475
Jun	118.00	+0.60	119.50	117.70	68	3,505
Jul	118.45	+1.05	120.00	117.80	3,517	33,659
Aug	115.85	-	118.80	115.50	78	1,829
Sep	114.55	+0.55	115.10	113.50	531	6,678
Oct	113.25	+1.05	111.75	111.75	15	1,079
Total					4,907	58,649

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	343.90-344.40		
Opening	344.60-344.90		
Morning fix	344.70	210.890	490.094
Afternoon fix	342.80	209.510	496.330
Day's High	344.90-345.20		
Day's Low	342.60-342.90		
Previous close	343.70-344.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.81 6 months 4.79
2 months ....4.82 12 months 4.62
3 months 4.81

Silver Fix	p/troy oz.	US cts equiv.
Spot	291.15	476.00
3 months	295.30	481.90
6 months	299.45	487.80
1 year	308.55	501.25

Gold Coins	$ price	£ equiv.
Krugerrand	80-83	48-50
Maple Leaf	-	-
New Sovereign	344-346	210-212

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	345.3	+0.8	-	-	1	-
Jun	345.3	+0.6	346.8	343.1	29,170	32,858
Aug	347.8	+0.5	348.2	345.5	19,573	45,052
Oct	350.3	+0.5	350.7	348.4	153	7,074
Dec	353.0	+0.4	354.0	351.1	3,637	24,917
Feb	355.7	+0.5	354.8	354.8	51	6,812
Total					52,771	158,811

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	410.5	+13.5	411.0	396.5	3,743	13,805
Oct	401.5	+8.0	399.5	392.5	594	4,649
Jan	396.0	+2.5	396.0	389.0	6	1,199
Apr	396.0	+1.0	-	-	-	20
Total					4,342	19,673

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	202.65	+28.15	204.00	183.00	1,183	3,216
Sep	176.00	-	176.00	176.00	1,088	6,063
Dec	173.50	-	-	-	5	434
Total					2,276	9,899

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	470.6	−1.6	473.0	467.0	29	30
Jul	473.0	−1.8	477.0	465.0	5,481	58,682
Sep	477.9	−1.8	482.0	470.0	207	6,553
Dec	485.1	−1.8	489.0	477.5	565	7,418
Jan	487.4	−1.8	-	-	-	17
Mar	492.7	−1.8	491.0	491.0	5	7,978
Total					6,300	89,477

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	20.80	+0.01	20.88	20.77	63,556	105.2k
Aug	20.90	+0.06	21.04	20.86	20,821	49,115
Sep	20.90	+0.08	21.00	20.85	8,512	29,546
Oct	20.80	+0.05	20.85	20.78	3,191	18,891
Nov	20.71	+0.04	20.72	20.69	2,381	16,932
Dec	20.61	+0.03	20.71	20.60	6,355	35,693
Total					112,301	401,428

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	19.25	+0.04	19.34	19.10	13,891	72,347
Aug	19.35	+0.08	19.43	19.30	8,268	39,338
Sep	19.46	+0.10	18.51	19.42	1,088	11,501
Oct	19.51	+0.09	19.57	19.49	209	8,605
Nov	19.52	+0.10	19.58	19.47	129	6,135
Dec	19.48	+0.09	19.53	19.42	768	12,487
Total						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	55.50	+0.23	55.85	55.20	13,631	14,783
Jul	55.50	+0.28	55.80	55.20	18,006	38,269
Aug	56.05	+0.38	55.20	55.85	3,437	17,833
Sep	56.80	+0.48	57.00	55.95	2,152	9,617
Oct	57.60	+0.58	57.80	57.50	1,017	8,405
Nov	58.35	+0.68	58.35	58.15	653	7,765
Total					41,839	131,654

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	173.00	+1.00	173.75	172.25	7,755	23,085
Jul	173.25	+0.25	174.50	173.25	3,976	13,757
Aug	175.00	+0.25	176.00	175.00	939	7,620
Sep	177.00	+0.25	177.50	177.00	385	4,000
Oct	178.75	+0.25	179.50	178.75	364	4,840
Nov	180.00	+0.25	181.00	180.25	162	1,922
Total					38,750	164,831

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.359	−0.004	2.365	2.335	37,400	18,279
Jul	2.340	−0.021	2.365	2.335	16,139	42,327
Aug	2.335	−0.021	2.360	2.325	5,529	21,259
Sep	2.300	−0.026	2.325	2.300	3,564	17,691
Oct	2.305	−0.021	2.325	2.300	2,368	19,719
Nov	2.410	−0.017	2.425	2.400	1,000	7,953
Total					69,933	211,449

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	65.75	+0.37	67.40	65.30	19,819	20,676
Jul	63.20	+0.20	63.50	62.90	18,654	38,920
Aug	61.80	+0.10	62.15	61.70	3,414	10,513
Sep	60.70	+0.20	60.75	60.50	585	4,985
Oct	58.60	+0.10	58.60	58.60	57	3,245
Nov	57.90	+0.25	58.05	58.00	30	1,925
Total					42,817	88,065

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	87.50	−2.20	89.25	87.50	59	1,445
Sep	91.00	−0.60	-	-	-	157
Nov	93.00	−0.60	93.25	92.80	149	3,569
Jan	95.00	−0.60	95.00	94.90	73	1,619
Mar	97.00	−0.60	97.00	96.90	87	725
May	99.00	−0.60	99.25	98.00	67	400
Total					435	7,915

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	367.00	+3.5	368.00	357.00	18,110	47,004
Sep	372.75	+1.75	375.00	365.00	3,898	14,641
Dec	384.75	+1.25	387.00	377.00	3,852	17,467
Mar	387.00	+1	389.00	379.50	293	1,504
May	375.00	−1	377.00	373.00	36	36
Jul	368.00	−4	373.00	368.00	180	487
Total					26,461	81,148

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	269.50	+5.25	269.75	264.00	40,800	118,819
Sep	257.50	+3.5	258.00	253.50	4,437	30,178
Dec	255.25	+3.25	255.50	252.25	22,169	114,279
Mar	261.25	+3	261.50	258.00	990	12,438
May	265.00	+3	265.00	262.50	288	1,229
Jul	269.00	+3.25	269.00	266.00	412	3,240
Total					68,495	284,695

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	88.50	−0.10	-	-	-	29
Nov	90.50	−0.10	90.90	90.25	-	1,103
Jan	92.50	−0.10	92.50	92.50	10	142
Mar	94.50	−0.10	-	-	-	16
May	96.50	−0.10	-	-	-	-
Total					14	1,290

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	848.50	+18.25	851.00	830.90	49,537	00,768
Aug	806.00	+15.5	807.00	786.00	14,604	24,016
Sep	713.00	+7.5	717.00	705.00	2,819	8,816
Nov	669.75	+4.75	675.00	663.00	18,959	51,122
Jan	674.00	+5.5	676.50	667.50	1,868	6,058
Mar	675.50	+2	680.00	672.50	298	1,104
Total					88,207	183,374

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	23.97	+0.68	24.02	23.29	8,032	50,534
Aug	24.14	+0.66	24.17	23.60	2,710	14,813
Sep	24.27	+0.64	24.30	23.75	1,175	8,073
Oct	24.25	+0.61	24.25	23.80	360	8,944
Dec	24.45	+0.64	24.39	23.96	2,476	18,434
Jan	24.65	+0.67	24.22	24.15	72	1,290
Total					14,958	103,415

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	280.3	+3.2	280.7	276.8	18,210	49,157
Aug	261.6	+2.9	261.9	257.4	6,484	15,612
Sep	241.5	+2.0	242.2	238.7	1,806	9,972
Oct	227.5	+2.5	227.0	224.1	889	10,481
Dec	219.0	+2.6	219.5	215.7	4,005	20,237
Jan	215.5	+1.5	216.0	212.0	197	2,101
Total					32,872	110,335

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	30.0	-	-	-	-	-
Nov	58.0	-	-	-	-	11
Mar	108.5	-	-	-	-	-
Apr	120.0	+2.5	120.0	115.0	48	834
May	129.0	-	-	-	-	-
Total					49	845

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	1287	+5	-	-	-	538
Jun	1200	+5	1200	1100	45	464
Jul	1134	+19	1134	1125	8	1,088
Oct	1310	+10	1300	1290	9	536
Jan	1340	-	-	-	-	57
Apr	1375	-	-	-	-	-
Total					62	2,881

	Close	Prev
BFI	1289	1290

FUTURES DATA
All futures data supplied by CMS.

Minor metals
Price from Friday. European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 2,150-2,250. **Bismuth:** min. 99.99%, tonne lots 3.45-3.70 (3.40-3.70). **Cadmium:** min. 99.95%, cents a pound, 55.00-60.00 (50.00-60.00). **Cobalt:** MB free market, min. 99.8%, 24.50-25.50 (24.50-25.75); min. 99.3%, 21.25-22.00 (21.80-22.50). **Mercury:** min. 99.99%, $ per 76 lb flask, 158-168. **Molybdenum:** drummed molybdic oxide, 4.60-4.70 (4.45-4.60). **Selenium:** min 99.5%, 2.30-2.80 (2.35-2.90). **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. **Vanadium:** min. 95%, CIF, 3.75-3.83. **Uranium:** Nuexco unrestricted exchange value, 11.25 (11.50).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1000	+1	-	-	-	21
Jul	1020	+1	1023	1013	463	27,775
Sep	1038	+1	1042	1032	146	15,620
Dec	1032	+1	1033	1026	397	28,890
Mar	1042	+1	1043	1038	226	31,889
May	1053	-	1051	1050	46	16,137
Total					1,278	141,428

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1466	+14	1469	1445	3,208	30,217
Sep	1496	+15	1498	1475	480	13,891
Dec	1529	+17	1528	1507	67	16,407
Mar	1554	+16	1550	1545	23	20,974
May	1576	+16	-	-	10	8,531
Jul	1596	+16	-	-	20	523
Total					3,779	94,598

■ COCOA (ICCO) (SDR's/tonne)

May 27	Price	Prev. day
Daily	1133.99	1137.76

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	2182	+157	2130	2055	78	266
Jul	2258	+156	2262	2140	4,765	25,298
Sep	2288	+164	2295	2155	5,068	17,734
Nov	2295	+164	2300	2162	1,603	6,837
Jan	2275	+164	2225	2182	34	2,618
Mar	2250	+164	-	-	-	343
Total					11,553	53,220

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	295.55	+21.25	297.00	275.00	6,733	19,085
Sep	256.70	+18.20	258.00	238.00	2,203	7,371
Dec	214.55	+12.60	207.95	203.00	844	5,138
Mar	195.55	+8.90	192.65	186.50	203	2,041
May	184.00	+6.00	184.00	180.00	40	415
Jul	181.55	+9.55	178.00	178.00	36	152
Total					10,078	30,340

■ COFFEE (ICO) (US cents/pound)

May 27	Price	Prev. day
Comp. daily	185.02	n/a
15 day average	177.89	n/a

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	321.2	+1.0	321.3	320.0	1,866	12,459
Oct	310.5	+1.4	310.5	309.0	618	6,621
Dec	307.6	+1.0	307.5	306.1	672	1,813
Mar	307.8	+0.9	307.4	306.5	210	1,584
May	306.6	-	306.5	306.0	29	699
Aug	305.9	−0.6	308.5	305.5	349	312
Total					3,795	23,837

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.18	+0.02	11.20	11.10	6,853	75,248
Oct	10.95	+0.01	10.95	10.88	2,678	45,692
Mar	10.90	+0.01	10.90	10.85	1,447	25,692
May	10.80	-	10.82	10.77	648	6,572
Jul	10.73	-	10.75	10.71	3	2,691
Oct	10.64	-	10.51	10.51	4	560
Total					11,729	157,010

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	73.21	+0.24	73.25	72.75	6,509	36,207
Oct	74.65	+0.20	74.65	74.25	474	4,144
Dec	75.32	+0.19	75.40	74.90	1,525	25,636
Mar	76.53	+0.13	76.40	76.25	231	3,839
May	77.25	+0.10	77.00	76.86	24	884
Jul	77.53	+0.08	-	77.15	31	356
Total					8,851	73,251

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	78.25	−1.60	80.20	78.25	2,146	18,072
Sep	80.50	−1.70	82.25	80.50	393	7,270
Nov	83.50	−1.25	85.00	83.30	104	3,523
Jan	86.00	−1.25	87.35	86.00	59	1,589
Mar	88.55	−1.20	90.25	88.55	42	1,079
May	90.80	−1.20	92.25	92.00	13	273
Total					2,747	29,827

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 27	May 23	month ago	year ago
2000.9	1990.7	1961.3	2117.0

■ CRB Futures (Base: 1967 = 100)

May 23	May 22	month ago	year ago
250.72	251.31		

■ GSCI Spot (Base: 1970 = 100)

May 23	May 22	month ago	year ago
198.41	200.75	192.71	210.95

LME WAREHOUSE STOCKS (tonnes)

Aluminium	−5,775	to	748,350
Aluminium alloy	−320	to	61,660
Copper	−450	to	136,585
Lead	+1,150	to	118,775
Nickel	−300	to	49,770
Zinc	−6,250	to	419,475
Tin	+255	to	11,390

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	65.400	+0.5	65.575	64.525	7,377	25,533
Aug	65.425	+0.15	65.600	64.800	4,984	41,048
Oct	68.625	−0.15	68.900	68.475	1,656	18,902
Dec	71.075	−0.175	71.250	70.950	761	10,118
Feb	71.275	−0.2	71.550	71.250	282	5,009
Apr	73.000	−0.25	73.225	73.000	804	2,045
Total					15,922	102,777

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	79.850	−1.35	80.900	79.500	2,643	10,612
Jul	79.950	−1.9	81.550	79.850	4,578	10,478
Aug	77.850	−2	79.600	77.850	2,467	7,895
Oct	70.150	−1.775	71.850	69.925	704	5,838
Dec	67.850	−1.875	69.500	67.725	492	3,638
Feb	67.350	−1.65	68.675	67.000	141	1,561
Total					11,075	41,213

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	88.900	−3	91.200	88.900	2,382	6,354
Aug	88.025	−3	90.200	88.025	305	1,788
Feb	75.000	−2.5	76.850	74.500	38	405
Mar	73.400	−3	75.000	73.400	1	10
Total					2,759	8,574

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

	Jun	Sep	Jun	Sep
1600	39	78	8	34
1650	8	51	23	58
1700	2	32	65	86

■ COPPER (Grade A) LME

	Jun	Sep	Jun	Sep
2450	154	122	2	75
2550	68	77	15	125
2650	17	45	64	181

■ COFFEE LIFFE

	Jul	Sep	Jul	Sep
2000	279	384	21	106
2050	238	365	30	127
2100	200	341	42	153

■ COCOA LIFFE

	Jul	Sep	Jul	Sep
1000	34	72	14	34
1025	21	58	26	45
1050	11	48	41	58

■ BRENT CRUDE IPE

	Jun	Jul	Jun	Jul
1900	-	-	39	-
1950	36	-	-	68
2000	17	53	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.68-8.83	+0.025
Brent Blend (dated)	$18.96-8.98	+0.315
Brent Blend (Jul)	$19.18-9.20	-0.065
W.T.I.	$20.79-0.83z	-0.09

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$217-218	
Gas Oil	$174-175	+0.5
Heavy Fuel Oil	$79-81	+1
Naphtha	$184-187	
Jet fuel	$191-192	+0.5
Diesel	$179-181	+0.5

■ NATURAL GAS (Pence/therm)

		+or-
Bacton (Jun)	11.2-11.4	
IPE (Jun)	11.200	-0.220

Petroleum Argus, Tel. London (0171) 359 8792

■ OTHER

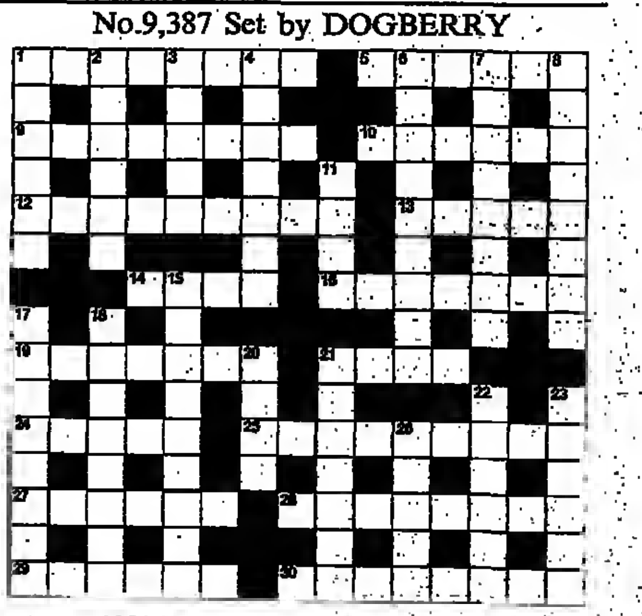
		+or-
Gold (per troy oz)♣	$344.15	+0.20
Silver (per troy oz)♣	473.00c	+2.00
Platinum (per troy oz.)	$399.50	+1.50
Palladium (per troy oz.)	$175.00	+7.50
Copper	125.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.15r	
Tin (New York)	267.5	
Cattle (live weight)	91.00p	+0.49*
Sheep (live weight)	130.30p	+2.51*
Pigs (live weight)†	99.78p	-2.88*
Lon. day sugar (raw)	$273.00	+1.30
Lon. day sugar (wte)	$327.70	+0.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$109.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	73.00p	+0.50
Rubber (Jul)♥	73.00p	+0.50
Rubber (KL RSS No1)	283.0x	+1.0
Coconut Oil (Phil)§	662.5y	-7.5
Palm Oil (Malay.)§	542.5w	+2.5
Copra (Phil)§	$415.0y	-10.0
Soyabeans (US)	213.0	-1.5
Cotton Outlook'A' index	80.05c	+0.75
Wooltops (64s Super)	416p	+5

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Jun y May/Jun♥ z Jul London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,712 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,387 Set by DOGBERRY



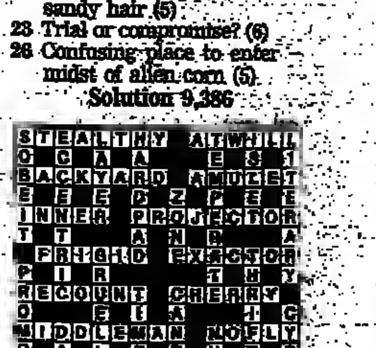
ACROSS

1 *Drill: Charge! About turn!* (8)
5 Breakfast accessory, say, to force many out of bed (6)
9 Classical scholar's right about certain Arabs (8)
10 Bird's p-paramour (6)
12 Oaf hot in pursuit of beauty with kitchen towel (9)
13 Retired person absorbing information technology; retiring to the porch (5)
14 Lovebird? (4)
16 Green character reinvented universal engina (7)
19 Rest speak drunkenly about award (7)
21 Piece of sculpture gets broken (4)
24 One in the *assembly room* killed properly (5)
25 Apostle accepting a Biblical sacrifice – that's the limit (9)
27 Church following most of Satan's stratagem (6)
28 From the island track goes into HQ (8)
29 Musician's lines back in catalogue (6)
30 A lot of lines in genuine setback (8)

DOWN

1 Show off journalist getting a knock-back (6)
2 Charity receiving nothing on time? Not quite (6)
3 Ulster Unionists without garment (5)
4 Accountant's footwear or clerical garb (7)
6 Islands have festival with pig's head and sago pudding (9)
7 There's many a barrel in a song (8)
8 Canterbury pilgrim read porn out (8)
11 Siamese cat-hairs involved (4)
15 Direct *line* to *mother's* experimental music – bluish, but not quiet (9)
17 Funny old shape for a flower (8)
18 Traveller to pull up with organ (8)
20 Ready to get high (4)
21 Attack with frenzy after the pub (7)
22 Nervous tension in head of sandy hair (5)
23 Trial or compromise? (6)
26 Confusing place to enter midst of alien corn (5)

Solution 9,386



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)					
4 Rue Jean Monet, L-2180 Luxembourg 352 424940335					
Latin America Equity		$85.28	90.24	—	-
North America Equity		$94.74	99.21	—	-
Asian Tigers Equity		$64.05	65.80	—	-
Europe Equity		$90.21	89.68	—	-
Germany Equity		DM93.6	184.37	—	-
Japan Equity		$90.48	60.98	—	-
Europe Bond		$63.46	65.62	—	-
US Bond		$59.70	59.93	—	-
Global Bond		$82.57	82.73	—	-
Germany Bond 0		DM111.8	112.27	—	-
Spain Bond		Pta[illegible]	107.34	—	-
Eastern Europe Equity F		DM[illegible]	226.90	—	-
China Equity F		$75.82	76.17	—	-
Switzerland Equity		SFr[illegible]	188.93	—	-
Abtrust Fund Mngrs Luxembourg SA (u)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227001					
Abtrust Atlas Fund					
Global Cap Portfolio		$4.145		-0.005	-
United States Portfolio		$6.374xd		+0.064	-
Cont Europe Portfolio 0		DM8.008		+0.001	-
Japan Portfolio		$0.847		-0.001	-
Pacific Portfolio		$6.435		+0.003	-
Gold Portfolio		$5.658		+0.012	-
UK Growth of Income		£2.301		+0.014	3.81
Dollar Portfolio		$1.850		-0.001	7.03
Sterling Portfolio		£1.043xd		—	0.00
Aetna Master Fund (u) (x)					
21 avenue de la Liberte, L-1931, Lux 00 352 2354 941					
Australasian NAV		A$18.84		+0.10	-
Austrian Nat NAV		Sch[illegible]		+0.04	-

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Funds - Contd.					
Balanced					
European Balanced		DM15.43		+0.04	1.82
Prices as at May 27					
Fleming Group (u)					
6 Route De Treves L-2633 Senningerberg Luxembourg					
00 352 34101 or 0800 960 294					
Internet: http://www.flemings.lu/					
Fleming Flagship Fund (daily dealing)					
FFF American		$61.17	64.71	+0.08	-
FFF Amer Fledgling F		$64.21	68.04	+0.18	-
FFF Asian Smaller Cos F		$10.15	10.74	+0.02	-
FFF China		$19.58	20.71	+0.03	-
FFF Continental Europe F		DM47.05	49.77	+0.23	-
FFF DM Balanced F 3		DM11.97	12.67	+0.03	-
FFF DM Bond 3		DM11.25	11.69	+0.01	6.50
FFF Eastern European F		[illegible]	31.85	+0.07	-
FFF Eastern Opps		$22.93	24.26	+0.07	-
FFF Emerging Markets F		$10.84	11.47	+0.03	-
FFF Emerging Markets Debt F		$14.99	15.86	+0.02	-
FFF European		DM43.73	45.44	+0.24	-
FFF European Smllr Cos F		DM27.21	28.78	+0.07	-
FFF Global Conv F		$18.80	19.89	+0.08	-
FFF India H		$10.07	10.00	—	-
FFF Intl Bond F		$13.75	14.04	-0.02	-
FFF UK Equity F		[illegible]	01.64	+0.07	-
FFF Japanese		$16.54	17.50	+0.24	-
FFF Japanese Smaller Cos F		$8.56	9.04	+0.05	-
FFF Latin American		$14.40	15.24	+0.05	-
FFF Pacific		$24.26	25.65	+0.36	-
FFF Sterling Bond		£1.085	1.142	+0.03	7.50
FFF UK Enterprise		£6.02	6.20	+0.02	-
FFF US Discovery		$43.48	45.78	+0.16	-
Fleming Flagship Series 3 (Daily Dealing)					
DM Class F		DM12.490		+0.001	2.89
FFr Class F		FFr64.533		+0.005	3.84

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
[illegible]							

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Figures issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as a
FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xe ex capital distribution.

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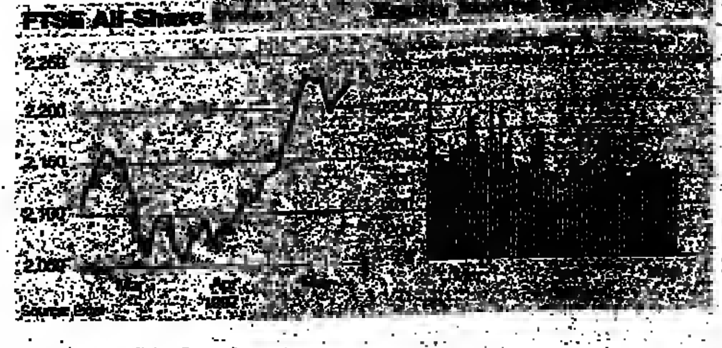
LONDON STOCK EXCHANGE

Erratic international bonds unnerve equities



MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Substantial weakness in gilts and German bunds for much of the session was behind a gradual erosion of the UK stock market's strong initial gains yesterday. London's weakness mirrored similar performances across Europe, notably in France and Germany.

European fixed income markets were unsettled by the weakness of US Treasury bonds overnight, with the yield on the 30-year bond moving back above the 7 per cent mark.

Bonds were additionally hit during the morning by reports of a split between members of Germany Bundesbank council over the revaluation of its gold and monetary reserves and by the prospect of a change of government in France after this Sunday's second round of the general election. However, both gilts and bunds recovered strongly during the late afternoon ahead of a statement from the Bundesbank.

Without the prop of a firm gilts market, equities were unable to build on a promising start to the session which saw the FTSE 100 index accelerate to within 18.5 of its previous intraday record, 4,723.7, attained on May 16.

At the end of an increasingly nervous session, Footsie had dropped 4.1 to 4,677.5. Frayed nerves in London were not helped by a weak start on Wall Street yesterday.

The two junior FTSE indices, the 250 and SmallCap, never looked like emulating the good early gains in the leaders; the 250, up 6.5 at its best only minutes after the start of trading, finished the day exactly level at 4,508.0, while the SmallCap settled 0.4 easier st 3,299.8.

Other factors also led to the turnround in stocks. News that LVMH, the French luxury goods group which has a 14.2 per cent stake in Guinness, wants to exercise its rights to buy out Guinness's interests in the two companies' joint ventures hit the share prices of Guinness and its merger partner GrandMet. Those stocks were among Footsia's worst performers, sliding almost 3 per cent apiece, despite Guinness's rejection of LVMH's statement.

The closing tone in the equity market was in sharp contrast to the picture at the outset. Initially, share prices raced ahead in the wake of Wall Street's move to a closing record and in response to the continuing euphoria surrounding next Monday's stock market debut of the Halifax building society.

With the unofficial grey market price of Halifax shares topping the 740p mark yesterday morning, the bank sector came in for another burst of buying interest from institutions worried about a potential shortfall in their weightings in the sector. However, much of the froth was blown away in the subsequent market downturn.

The recent steady flow of sterling-related profit warnings continued. Royal Doulton, the fine china manufacturer, and Hepworth, the building materials group, were the latest casualties.

Turnover was depressed as many fund managers took extended bank holiday breaks. At 6pm, volume was 655m shares, below usual activity levels.

Indices and ratios

FTSE 100	4677.5	-4.1	FT 30	3000.5	-2.2
FTSE 250	4508.0	+0.0	FTSE Non-Fins p/e	18.84	18.81
FTSE 350	2263.9	-1.7	FTSE 100 Fut Jun	4688.0	+1.0
FTSE All-Share	2222.40	-1.51	10 yr Gilt yield	7.26	7.26
FTSE All-Share yield	3.49	3.48	Long gilt/equity yld ratio	2.13	2.13

Best performing sectors		Worst performing sectors	
1 Chemicals	+1.1	1 Alcoholic Beverages	-2.1
2 Gas Distribution	+0.9	2 Life Assurance	-1.0
3 Pharmaceuticals	+0.8	3 Paper : Pckg & Print	-0.9
4 Water	+0.5	4 Insurance	-0.9
5 Building & Construction	+0.5	5 Textiles & Apparel	-0.9

Guinness under pressure

A cloud of uncertainty descended over the UK's two spirits giants Guinness and Grand Metropolitan after LVMH, the French luxury products group, signalled its displeasure at the merger plans of the two British groups.

LVMH, which has a 14 per cent stake in Guinness, said it will use its right to buy oot Guinness stakes in distribution ventures jointly operated by the two companies at their book value. The move would include Guinness's 34 per cent stake in Moet-Hennessy.

However, Guinness said its merger plans did not provide "sufficient grounds" to trigger the LVMH move. Shares in the two spirits groups fell beavily as the pessimists said tbe move by the French group could scupper the planned merger.

Grand Metropolitan was the worst performer in the FTSE 100 as the shares fell 15½ to 581p, while Guinness sbed 14 to 582p.

But bulls of both stocks pointed out there is little threat from the LVMH move and one said: "If there was a real threat to the merger, the shares would have plunged and they have not."

Selected banking stocks ran into profit-takiog although the unofficial 'grey' market in Halifax shares, ahead of tomorrow's big stock auction, continued to show active interest.

The two principal bookmakers making prices in the building society both registered a strong increase in the anticipated price at the end of the first day of trading on Monday.

And the rises are bound to be watched with keen interest by big UK institutions as well as US and Japaness investors, which will fax bids to Merrill Lynch in an attempt to get a slice of the 23 per cent of Halifax stock initially available.

City Index, which has 6,800 clients actively trading in 250 financial markets, was qooting a competitive 10p spread shortly before the close of UK equity trading. City was bidding at 738p and offering at 748p. On a minimum pound-a-point bet, clients stand to gain 100p for every penny at which Halifax closes above 748p.

Meanwhile, increassd demand at rival IG Index forced its own quote up to a high of 750p before it eased back to 740p later in the day.

In the sector, Royal Bank of Scotland lifted 6 to 634½p and Lloyd TSB was up 2½ to 639p but Barclays fell 13¾ to £12.57½p and Abbey National 17¼ to 927p.

Upbeat comment at the annual meeting saw London & Manchester 16 higher et 448½p in a generally skittish insurance sector.

Share prices were skidding around as marketmakers became increasingly nervous about the high flotation-driven valuations and struggled to balance positions ahead of the arrival of Norwich Union in mid-June.

Among the composites, Commercial Union lacked élan as investors reacted nervously to the prospect of electoral change in France where 30 per cent of profits are generated.

There were also suggestions that tornadoes in Texas were hitting companies with a big US exposure. Five per cent of the US business of both CU and Royal & Sun Alliance and four per cent of General Accident's US business is in Texas. But Mr David Hudson of Credit Lyonnais Laing commented: "Most analysts factor in a couple of million pounds for tornado losses. There are always a few in the spring."

CU fell 18¼ to 712p and Royal 9 to 470½p but GenAcc added 3 at 944½p.

Rental group Thorn was one of the best performers in the FTSE 250 yesterday. The shares moved 6½ ahead to 156½p, after the the company surprised the market with the announcement of an £87m share buy-back.

The company sprang the surprise as it published full year figurse. It also announced a £17m charge for US litigation proceedings which, when added to previously announced provisions of nearly £33m, left the company reporting a 28 per cent decline in profits to £102.9m.

Shares in Thorn have fallen heavily since the group was demerged from EMI last August on a combination of litigation worries and disappointing trading.

Having stood at 410p at the time of the demerger, the stock hit an all-time low of 150p on Tuesday. Last week Deutsche Morgan Grenfell placed around 3.2 per cent of the group's issued share capital in the market. In the rest of the retailers, bumper interim figures from Allders saw the shares improve 11 to 215p. The market also appreciated news that the second half has started well with like-for-like sales growth of 7.2 per cent in the seven weeks to May 17, equivalent to 10.1 per cent if the timing impact of ths mid-season sale is excluded.

Kingfisher hardened 1½ to 721½p after the group released better-than-expected first-quarter sales figures.

Dealers said ABN Amro Hoare Govett had upgraded its profits forecast for the year to the end of January 1998 by £5m to £455m.

Harrisons & Crosfield easily outpaced the rest of the FTSE 250 constituents, the shares climbing 10, or over 9 per cent, to 119p as the market assessed the implications of the resignation of the chairman on Tuesday. Dealers said the possibility of the group splitting itself into three separate divisions – chemicals, animal feeds and timber and building supplies – has sharply increased after the resignation.

Smith & Nephew bounced 2¾ to 176p after underperforming the All Share Index by nearly 10 per cent in the past four months.

The company is a perennial takenver target and dealers added that it was recovering after the acquisition of rival artificial limb maker De Puy by Roche of Switzerland.

There were more profit warnings hitting various stocks across the market place. Retailer WEW saw its shares drop 2¼ to 15½p after warning full-year losses could reach £2m because of deteriorating trading conditions.

Hepworth, the building products company, said sterling's strength would hurt its overseas earnings to the tune of £8m to £9m in the current year. Hepworth shares dipped 4 to 254½p.

Shares in Royal Doulton, the fina china manufacturer, fell 16 to a nine-month low of 261½p after news of the departure of the chief executive, to be replaced by the current managing director.

Anglian Water eased a penny to 681½p after top-of-the-range full year pre-exceptional profits of £257m and an agreed £19.5m bid for Hartlepool Water. Analysts said the 266p a share offer would be earnings-enhancing from next year.

Hartlepool Water shares jumped 62½ to 257½p on the news and other small regional water companies raced up in sympathy. Bristol Water put on 20 to £11.65p and South Staffordshire Water 52½ to £28.30p.

FT 30 INDEX

	May 28	May 27	May 23	May 22	May 21	Yr ago	*High	*Low
FT 30	3000.5	3002.7	3003.0	2987.5	2987.7	2806.9	3018.8	2868.8
Ord. div. yield	3.66	3.66	3.66	3.67	3.68	3.97	4.22	3.62
P/E ratio net	18.14	18.14	18.13	18.10	18.05	16.28	18.33	15.80
P/E ratio nil	17.96	17.96	17.95	17.92	17.87	16.06	18.14	15.71

FT 30 since compilation: high 3018.8 13/05/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3006.8	3007.3	3009.8	3008.7	2998.8	2997.4	2999.6	2996.9	2997.2	3011.8	2995.2

	May 28	May 27	May 23	May 22	May 21	Yr ago
SEAQ bargains	42,622	45,881	45,053	45,222	48,258	33,838
Equity turnover (£m)†	-	NA	NA	2547.2	2761.7	2016.7
Equity bargains†	-	NA	NA	45,109	40,744	41,601
Shares traded (mil)†	-	NA	NA	712.3	699.1	640.2

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	656	Total Highs	124	Total contracts	37,404
Total Falls	832	Total Lows	81	Calls	20,053
Same	1,565			Puts	17,351

May 28 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4709.0	4688.0	+1.0	4718.0	4675.0	10625	68230
Sep	4750.0	4721.5	+2.0	4750.0	4710.0	1575	6124
Dec	4760.0	4770.0	+2.0	4760.0	4760.0	20	522

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4515.0	4503.0	-16.0	4515.0	4503.0	67	5963
Sep		4554.5	-16.0			8	300

FTSE 100 INDEX OPTION (LIFFE) (*4674) £10 per full index point

	4500 C	4500 P	4550 C	4550 P	4600 C	4600 P	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P
Jun	284½	13½	161½	21	129½	31½	84½	46½	55	68½	33	98½	17½	130½	9½	182
Jul	235½	30½	189½	41	161½	54	127½	71½	96	92½	71	120	49½	151	34	189½
Aug	250½	49	212	60½	177	75	146	93½	115½	115	89½	143	69½	172	53½	207½
Sep	281	63½	242	75	209½	92	177½	110½	146½	130½	121½	157½	97	184	76½	216
Dec†	369	99	-	-	282	129			225	166½			173	219		

Calls 3,174 Puts 3,285

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4525 C	4525 P	4575 C	4575 P	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P
Jun	178½	16	137½	25	100	37	69½	55½	43½	80½	25½	112	13	149½	6½	192½
Jul	216	36	177	46½	141½	60½	109½	78½	82	100	58	127	40½	158	26½	193
Aug	231	54	194½	65½	161	82½	130½	101½	103½	124	80½	150	61	180	45½	213½
Sep	262½	70			193	98½			135	138½			88½	190		
Dec†	337	100½			279	130			211½	168			160	213		

Calls 7,986 Puts 8,538 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,629	655	532½	Alliance & Leic	623½	-4	L16.3	2.5	3.3	15.3
§	F.P.	94.7	1200	820	Aston Villa	827½	+2½	R6.8	1.6	1.3	45.5
-	F.P.	3,872	308½	259½	Cable & Wireless	260	-1½	-	-	-	-
-	F.P.	-	102	97½	Caradon 8	101		-	-	-	-
100	F.P.	25.0	100	100	Downing HI VCT	100		-	-	-	-
§40	F.P.	3.36	42½	30	†Eagles	34½		-	-	-	-
§140	F.P.	11.2	147½	110½	Heart of Midlthn	110½	-2	-	-	-	-
§	F.P.	7.18	164½	159½	†ITG	159½	-½	-	-	-	-
100	F.P.	3.17	105½	102½	†Integrated As Mg	105½	+½	-	-	-	-
§110	F.P.	5.17	130½	122½	†Lady in Leisure	124½		b-	-	-	-
§	F.P.	3.76	119½	112½	Longbridge Intl	119½		-	-	-	16.7
50	F.P.	19.8	54½	47½	†NMT	50	-½	-	-	-	-
§10	F.P.	5.04	14¾	12	†Newmark Tech	12	-1	-	-	-	-
100	F.P.	8.00	100	100	Penina AIM VCT	100		-	-	-	-
-	F.P.	20.0	70½	38½	†Petra Diamonds	68½	-1	-	-	-	-
-	F.P.	0.81	49½	13½	†Do Warrants	48½	-1	-	-	-	-
143	F.P.	21.8	155½	150	Qualceram	155½		22.6%	-	1.5	-
§117	F.P.	16.2	124½	120½	Salehurst	122½		L3.75	1.3	3.8	19.6
6	F.P.	10.1	6½	6	†South Beach Cafe	6¼		-	-	-	-
§100	F.P.	10.6	108½	102½	†Soccer Investmnt	105½	-2	-	-	-	-
§3	F.P.	5.04	4	3½	Versailles Group	3½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 27	% chg on day	May 26	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1577.59	+1.2	1559.36	2301.48	2.16	-	2376.86	1498.66
Regional Indices								
Africa (14)	1750.13	-0.1	1751.14	3073.61	5.08	27.83	3144.05	1724.86
Australasia (6)	1767.42	+0.1	1766.04	2578.83	2.97	19.86	2877.22	1748.20
North America (11)	1513.20	+1.6	1486.40	2043.44	0.95	62.32	2126.46	1385.84

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 28	Day's chge%	May 27	May 23	May 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4677.5	-0.1	4681.6	4661.8	4651.8	3775.7	3.50	2.04	17.49	78.56	1982.23
FTSE 250	4508.0	----	4508.0	4506.7	4501.5	4514.8	3.61	1.57	22.07	67.97	1875.55
FTSE 250 ex IT	4517.3	----	4518.5	4518.9	4515.2	4555.5	3.75	1.60	20.84	70.41	1884.70
FTSE 350	2263.9	-0.1	2265.6	2257.7	2253.3	1911.7	3.52	1.95	18.22	37.26	1968.81
FTSE 350 ex IT	2263.7	-0.1	2265.4	2257.5	2253.2	-	3.55	1.95	17.97	4.87	1009.41
FTSE 350 Higher Yield	2206.7	-0.1	2209.2	2202.1	2198.0	1841.3	4.51	1.83	15.17	43.31	1624.72
FTSE 350 Lower Yield	2326.4	----	2327.0	2318.2	2313.6	1989.4	2.49	2.18	23.00	30.72	1858.83
FTSE SmallCap	2299.79	----	2300.24	2299.81	2299.95	2230.82	3.06	1.70	23.99	30.35	1946.88
FTSE SmallCap ex IT	2288.02	-0.1	2290.03	2291.01	2292.64	2226.53	3.28	1.79	21.32	32.32	1952.68
FTSE All-Share	2222.40	-0.1	2223.91	2216.70	2212.70	1896.29	3.49	1.93	18.54	36.04	1961.35
FTSE All-Share ex IT	2221.78	-0.1	2223.47	2216.27	2212.44	-	3.53	1.95	18.15	4.80	1008.38

FTSE Actuaries Industry Sectors

	May 28	Day's chge%	May 27	May 23	May 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4428.71	+0.2	4419.18	4384.13	4372.57	3503.66	3.44	2.02	18.02	65.94	1982.71
12 Extractive Industries(5)	4501.26	+0.8	4465.70	4505.32	4513.14	4538.76	3.50	2.38	14.99	104.80	1375.90
15 Oil, Integrated(3)	4574.57	+0.3	4562.93	4513.29	4485.73	3522.82	3.63	1.96	17.59	90.91	2105.68
18 Oil Exploration & Prod(12)	3605.53	-0.3	3616.77	3622.22	3630.87	2466.68	1.90	2.22	35.18	36.78	2206.26
20 GEN INDUSTRIALS(268)	1929.20	----	1928.30	1934.77	1926.09	2102.89	4.15	1.90	15.82	33.01	1097.88
21 Building & Construction(35)	1390.09	+0.5	1383.40	1382.55	1382.66	1206.71	3.12	1.88	21.35	23.61	1207.89
22 Building Matls & Merchs(30)	1866.21	-0.1	1867.67	1864.60	1855.85	1909.79	4.30	2.77	10.50	34.84	982.66
23 Chemicals(26)	2380.80	+1.1	2353.74	2337.84	2336.17	2531.90	4.42	1.47	19.28	49.97	1180.86
24 Diversified Industrials(16)	1349.64	-0.2	1351.86	1373.89	1376.37	1699.59	5.40	1.97	11.72	36.42	798.53
25 Electronic & Elect Equip(38)	2064.76	-0.1	2067.43	2078.82	2065.41	2461.57	3.81	1.56	21.90	14.36	1103.87
26 Engineering(69)	2494.87	-0.1	2497.60	2510.52	2494.65	2455.20	3.40	2.46	14.92	32.11	1582.99
27 Engineering, Vehicles(13)	2826.67	+0.4	2815.81	2812.41	2810.27	3068.24	3.94	‡	‡	38.65	1513.23
28 Paper, Pckg & Printing(27)	2213.84	-0.9	2234.74	2244.65	2229.08	2726.59	4.73	1.87	14.14	41.86	960.12
29 Textiles & Apparel(14)	1032.93	-0.9	1042.14	1045.10	1044.32	1403.05	6.85	0.96	19.11	36.36	676.33
30 CONSUMER GOODS(84)	4503.38	----	4502.94	4482.07	4491.40	3568.21	3.37	1.81	20.45	84.74	1737.95
32 Alcoholic Beverages(7)	3286.20	-2.1	3357.53	3345.27	3260.68	2850.80	4.03	1.88	16.51	78.56	1249.52
33 Food Producers(25)	2959.99	----	2959.79	2959.10	2963.26	2457.97	3.73	1.85	18.13	59.48	1388.57
34 Household Goods(17)	2938.86	----	2939.18	2944.96	2964.13	2685.88	3.53	2.30	15.37	54.72	1206.60
36 Health Care(15)	2194.91	+0.4	2185.70	2175.13	2172.90	2065.40	2.70	1.59	29.17	32.09	1375.99
37 Pharmaceuticals(18)	7186.79	+0.8	7128.31	7057.15	7142.02	5097.57	2.57	1.71	28.38	104.77	2522.90
38 Tobacco(2)	4611.03	-0.8	4649.24	4697.26	4680.66	4409.09	5.87	1.67	11.37	147.58	1227.40
40 SERVICES(271)	2676.32	-0.2	2680.38	2688.65	2687.61	2545.22	2.95	1.97	21.56	38.38	1439.96
41 Distributors(30)	2728.56	-0.2	2734.97	2742.15	2750.45	2965.42	3.37	1.94	19.12	40.14	1041.22
42 Leisure & Hotels(31)	3425.08	-0.7	3450.46	3468.98	3484.64	3188.30	2.67	1.77	26.38	60.16	1696.16
43 Media(44)	4334.45	+0.1	4330.43	4341.88	4334.82	4262.32	2.29	1.90	28.77	56.25	1608.68
44 Retailers, Food(15)	2069.37	-0.1	2071.61	2102.49	2106.17	2032.58	3.95	2.21	14.31	50.87	1380.98
45 Retailers, General(53)	2092.32	-0.3	2097.92	2093.43	2079.30	2079.47	3.30	2.07	18.31	34.08	1242.41
47 Breweries, Pubs & Rest.(22)	3287.16	-0.4	3301.07	3305.56	3303.39	3182.90	3.39	2.16	16.86	33.86	1629.79
48 Support Services(54)	3062.40	+0.3	3053.91	3051.12	3050.74	2438.72	1.70	2.86	27.71	22.11	1992.07
49 Transport(22)	2812.64	-0.1	2815.46	2833.04	2853.56	2424.64	3.50	1.30	27.41	30.52	1215.53
60 UTILITIES(31)	2814.15	+0.3	2806.15	2810.61	2818.01	2414.45	4.83	1.49	16.98	22.49	1286.92
62 Electricity(9)	3119.57	+0.2	3112.95	3119.97	3131.29	2662.54	5.71	2.02	10.85	22.06	1723.07
64 Gas Distribution(2)	1798.32	+0.9	1781.49	1788.22	1783.16	1245.13	6.78	‡	‡	68.13	1027.14
66 Telecommunications(8)	2270.73	+0.1	2268.16	2272.73	2285.17	2037.75	3.87	1.71	18.92	9.54	1076.50
68 Water(12)	2630.47	+0.5	2617.21	2610.14	2587.84	2280.60	5.73	2.26	9.66	0.00	1521.38
69 NON-FINANCIALS(674)	2229.67	----	2228.94	2228.10	2227.50	2019.01	3.81	1.84	18.84	35.03	1766.26
70 FINANCIALS(106)	4424.73	-0.4	4444.51	4387.09	4357.56	2917.38	3.26	2.38	16.14	84.77	1995.62
71 Banks, Retail(8)	6737.12	-0.4	6767.29	6639.83	6552.64	3971.26	2.98	2.66	15.90	129.00	2305.99
73 Insurance(18)	1765.55	-0.8	1781.44	1789.18	1811.23	1531.65	4.91	2.52	10.09	54.22	1410.84
74 Life Assurance(7)	5057.64	-1.0	5109.30	5068.93	5094.12	3515.20	3.48	1.96	18.30	121.00	2209.19
77 Other Financial(29)	3278.18	+0.2	3271.80	3258.83	3255.76	2733.66	3.29	1.88	20.16	38.26	1939.49
78 Property(44)	2042.50	+0.1	2039.53	2033.55	2029.07	1539.85	3.15	1.29	30.92	15.25	1301.51
80 INVESTMENT TRUSTS(127)	3419.90	+0.2	3413.57	3402.44	3388.80	3229.17	2.17	1.13	50.98	28.64	1221.90
89 FTSE All-Share(907)	2222.40	-0.1	2223.91	2216.70	2212.70	1896.29	3.49	1.93	18.54	36.04	1961.35
105 FTSE All-Share ex IT(780)	2221.78	-0.1	2223.47	2216.27	2212.44	-	3.53	1.95	18.15	4.80	1008.38
FTSE Fledgling	1287.09	-0.1	1287.77	1290.32	1290.49	1272.53	3.04	0.79	51.86	17.31	1387.89
FTSE Fledgling ex IT	1299.19	-0.1	1300.84	1304.23	1305.27	1284.92	3.35	0.77	48.44	16.37	1401.80
FTSE AIM	1075.9	-0.6	1082.5	1083.8	1081.5	-	0.97	0.98	80.00†	0.33	862.97

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4696.3	4696.4	4698.4	4692.3	4676.2	4674.9	4677.2	4673.2	4673.8	4705.2	4670.7
FTSE 250	4513.2	4514.3	4511.1	4510.6	4508.2	4506.9	4507.1	4507.0	4507.6	4514.5	4506.4
FTSE 350	2271.8	2271.9	2272.4	2270.0	2263.4	2262.8	2263.8	2262.2	2262.4	2275.3	2261.2
FTSE SmallCap	2300.93	2300.86	2300.48	2300.24	2299.90	2299.66	2299.51	2299.65	2299.77	2301.11	2299.48
FTSE All-Share	2229.65	2229.75	2230.16	2227.92	2221.95	2221.37	2222.21	2220.77	2221.04	2232.78	2219.93

Time of FTSE 100 Day's high: 8:42 AM Day's low: 3:49 PM. FTSE 100 1997 High: 4677.5 (28/05/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 8:42 AM Day's low: 3:12 PM. FTSE All-Share 1997 High: 2222.40 (28/05/97) Low: 1969.78 (02/01/97).
Further information is available on http://www.ftse.com or contact FTSE International on +44 (0)171 448 1810.

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. Deletion: Wakebourne (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	310	508	-4
ASDA Group†	2,500	119¼	
Abbey National†	5,000	927	-17½
Airtours	590	1066½	+15
Albert Fisher	2,300	38¼	-¼
Alliance & Leicester	2,400	623½	-4
Allied Domecq†	1,300	445½	-9½
Anglian Water	829	681½	-1
Argos	1,400	611½	
Arjo Wiggins	334	172½	-4½
Assoc. Brit. Foods†	584	586	-½
Assoc. Brit. Ports	385	269½	
BAA†	1,900	530	+2
BAT Inds.†	3,700	560	-3½
BBA	1,000	332½	+3
BICC	867	167	-6½
BOC†	1,400	1012½	+16½
BG†	12,400	202½	+2
BP†	6,500	739	-½
BPB	1,300	344	-1½
BSkyB†	2,500	592½	+4
BT†	9,600	448	-2½
BTR†	11,600	208	-3
Bank of Scotland†	3,700	402½	-6
Barclays†	4,600	1257½	-13½
Bass†	1,900	800½	-5
Blue Circle†	2,700	426½	+2
Booker	121	308	-½
Boots†	754	725½	+½
Britannic	259	858	-8½
Brit. Aerospace†	1,100	1225½	-14
British Airways†	2,000	710	-1
British Biotech	1,200	260	+4½
British Energy	2,300	141½	
British Land†	1,600	590	-2
British Steel†	2,300	151½	-1½
Burmah Castrol†	780	1036	+21
Burton†	4,200	135¾	-¾
Cable & Wire†	7,300	494½	+8½
Cadbury Schweppes†	2,200	560	-1
Caradon	3,500	213½	-1½
Carlton Comms.†	1,800	506	-11½
Centrica†	6,400	64¾	+½
Chubb	996	439½	-5
Coats Viyella	3,800	122	-3
Comm. Union†	2,700	712	-18½
Compass	3,260	675	+½
Cookson	2,200	241½	+1½
Courtaulds	458	337½	+2
Dalgety	952	275	+7½
De La Rue	957	476	-15½
Dixons†	2,300	473½	+2
EMAP	489	757½	-1½
EMI†	1,900	1176	+3½
Electrocomps	435	402½	
Energy Group†	2,700	580	-6½
Enterprise Oil†	988	676	-4
FKI	2,200	172½	-1½
Foreign & Col. I.T.	567	163½	
Gen. Accident†	1,400	944½	+3
General Elect.†	6,600	353½	-½
Glaxo Wellcome†	3,800	1227	+24½
Glynwed	1,100	269½	-2½
Granada†	3,300	880	-16½
Grand Met.†	10,000	581	-15½
GUS†	342	652½	
Greenalls	140	478½	-1½
GRE†	3,400	294½	+4½
GKN†	839	1017½	+10
Guinness†	7,300	582	-14
HSBC (75p shs)†	2,500	1879	-5½
Hammerson	593	476	-1½
Hanson†	1,700	316½	-1
Harrisons Crosfield	4,900	119	+10
Hays†	1,500	553½	-8
Hillsdown	926	176	+1½
Hyder	33	825	-½
IMI	2,000	368	+½
ICI†	6,300	813	+14½
Imperial Tobacco†	1,400	386½	-10
Inchcape	886	289½	-1
Johnson Matthey	195	463½	-2
Kingfisher†	4,000	721½	+1½
Kwik Save	279	273½	+8½
Ladbroke†	1,800	236	-5
Land Securities†	803	910	+7
Laporte	169	667½	+6½
Legal & General†	2,300	476	-5
Lloyds TSB†	14,700	639	+2½
LASMO†	2,000	248	+½
Lonrho	613	142	-1½
LucasVarity†	2,100	199½	+1
MEPC	381	509	-3
MFI	604	126	-1½
Marks & Spencer†	4,000	509	-8
Mercury Asset Mgmt†	409	1442½	+30
Morrison (Wm.)	8,900	152	+1½
NFC	3,800	128	+2
NatWest Bank†	3,200	782½	-3
National Grid†	4,700	227	+1½
National Power†	2,000	536½	+½
Next†	2,200	730½	+½
Northern Foods	418	200½	-½
Orange†	805	206	-½
Pearson†	897	723½	+6
P & O†	615	634½	
Pilkington	4,400	126	-1½
PowerGen†	1,000	682½	
Premier Farnell	292	476	-9½
Provident Financial	20	590½	-4½
Prudential†	2,700	632½	-9
REXAM	877	301½	+1
RMC†	172	905	+6½
RTZ†	3,800	1074½	+4
Racal	2,300	228½	+4½
Railtrack†	1,100	528½	-7½
Rank Group†	1,300	435	+2½
Reckitt & Colman†	7,400	867½	+4
Redland	622	322½	-2
Reed Intl.†	1,100	604	-4½
Rentokil Initial†	7,000	232	+3½
Reuters†	2,600	699½	+6
Rolls Royce†	1,800	246	+3½
Royal & Sun Allnce†	5,200	470½	-9
Royal Bk Scotland†	4,200	634½	+6
Safeway†	7,300	357½	+2½
Sainsbury†	3,400	346	-6
Schroders†	58	1735	
Scottish & New.†	649	692½	-4½
Scot. Hydro-Elect.	1,600	401	-1½
Scottish Power†	3,100	386½	+6½
Sears	10,300	77	
Securicor	32	291	-½
Severn Trent†	280	775	+1
Shell Transport†	5,400	1215½	+6
Siebe†	723	948½	
Slough Ests	444	319½	-3
Smith (W.H.)	1,400	437½	-3
Smith & Nephew†	1,800	176	+2¾
SmKl Beecham†	4,200	1066½	
Smiths Inds.†	425	789½	+5
Southern Elect	242	412½	-2½
South West Water	318	665	+6½
Stagecoach	308	649½	+1
Standard Chartd.†	1,500	907½	-12
Storehouse	3,850	219	-2
T&N	341	132½	-1
TI Group†	355	554½	+1
Tarmac	1,200	127	+1
Tate & Lyle†	1,300	451	-1
Taylor Woodrow	241	211	+½
TeleWest Comms	2,100	69	+½
Tesco†	2,300	373	+1½
Thames Water†	2,200	650	+7
Thistle Hotels	261	188	-½
Thorn	3,000	156½	+6½
Tomkins†	3,400	259½	-2½
Unigate	1,483	499½	+½
Unilever†	834	1675	-2½
United Biscuits	1,000	211½	-½
Utd. News & Media†	589	779½	+1
United Utilities†	3,200	709	+7½
Vodafone†	8,900	289½	+1½
WPP	1,200	271½	
Wessex Water	[illegible]	400½	
Whitbread†	280	795	-7½
Williams Hldgs.	3,900	308	-2½
Wimpey	179	133	
Wolseley†	4,600	473½	+2
Yorkshire Elect.	[illegible]	827	-½
Yorkshire Water	482	378½	-½
Zeneca†	1,400	1869½	-10

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 Index constituent. All trades are rounded. Source: Extel, part of MET information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 28 / Sch)

BELGIUM/LUXEMBOURG (May 28 / Frs.)

CZECH REP (May 28 / Koruna)

DENMARK (May 28 / Kr)

FINLAND (May 28 / Mks)

FRANCE (May 28 / Frs.)

GERMANY (May 28 / Dm.)

GREECE (May 28 / Drachma)

ITALY (May 28 / Lira)

NETHERLANDS (May 28 / Fls.)

NORWAY (May 28 / Kroner)

POLAND (May 28 / Zloty)

PORTUGAL (May 28 / Escudo)

SPAIN (May 28 / Pts.)

SWEDEN (May 28 / Kronor)

SWITZERLAND (May 28 / Frs.)

TURKEY (May 28 / TK Lira)

PACIFIC

JAPAN (May 28 / Yen)

AUSTRALIA (May 28 / Aus$)

HONG KONG (May 28 / H.K.$)

INDONESIA (May 28 / Rupiah)

MALAYSIA (May 28 / MYR)

NEW ZEALAND (May 28 / NZ $)

SINGAPORE (May 28 / S$)

SOUTH KOREA (May 28 / Won)

TAIWAN (May 28 / TW $)

THAILAND (May 28 / Baht)

AFRICA

SOUTH AFRICA (May 28 / Rand)

NORTH AMERICA

CANADA

TORONTO (May 28 / Can $) 4 pm close

MONTREAL (May 28 / Can $) 4 pm close

INDICES

	May 28	May 27	May 26	1997 High	1997 Low
Argentina					
General(29/12/77)	(u)	22045.52	22083.86	22118.86 23/5	18237.37 2/1
Australia					
All Ordinaries(1/1/80)	2585.2	2578.9	2584.8	2585.20 28/5	2352.20 1/4
All Mining(1/1/80)	951.0	945.4	947.8	987.30 24/2	878.40 16/4
Austria					
Credit Aktien(30/12/84)	428.09	429.84	430.83	430.83 26/5	374.40 9/1
Traded Index(2/1/91)	1304.58	1310.70	1308.12	1318.70 27/5	1138.22 9/1
Belgium					
BEL20(1/1/91)	2258.12	2275.32	2279.04	2279.04 26/5	1971.05 2/1
Brazil					
Bovespa(29/12/83)	(u)	11133.0	10981.0	11133.00 27/5	0.00 28/4
Canada					
Metals Minls(1975)	(u)	5538.77	5604.15	5881.76 10/3	4845.86 11/4
Composite(1975)	(u)	6442.50	6401.10	6481.10 26/5	5578.30 14/4
Portfolio(4/1/83)	(u)	3262.69	3300.84	3300.84 26/5	2848.02 11/4
Chile					
IGPA Gen(31/12/80)	(u)	5521.79	5484.80	5521.79 27/5	4912.42 2/1
Denmark					
CopenhagenSE(3/1/83)	576.98	578.05	580.73	581.24 21/5	470.14 2/1
Finland					
HEX General(28/12/90)	3066.34	3094.02	3105.81	3128.88 23/5	2463.28 2/1
France					
SBF 250(31/12/90)	1730.88	1773.77	1759.09	1838.29 16/5	1803.39 2/1
CAC 40(31/12/87)	2583.17	2680.34	2654.74	2766.35 21/5	2256.87 2/1
Germany					
FAZ Aktien(31/12/58)	1254.03	1261.85	1243.88	1264.03 28/5	988.21 2/1
Commerzbank(1/12/53)	3687.70	3686.70	3648.2	3687.70 28/5	2878.80 2/1
DAX(30/12/87)	3636.42	3674.38	3657.86	3674.36 27/5	2848.77 2/1
Greece					
Athens SE(31/12/80)	1715.82	1714.05	(c)	1727.78 23/5	884.54 3/1
Hong Kong					
Hang Seng(31/7/64)	14556.48	14540.18	14574.64	14574.64 26/5	12865.17 3/4
India					
BSE Sens.(1978)	3685.31	3692.55	3701.65	3944.81 4/5	3225.24 2/1
Indonesia					
Jakarta Comp.(10/8/82)	672.49	668.84	663.19	712.88 26/2	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3290.49	3276.65	3268.81	3280.49 28/5	2725.87 2/1
Italy					
Banca Comm Ital(1972)	770.43	769.19	769.29	787.71 10/2	642.55 2/1
MIB General(2/1/97)	1160.0	1158.0	1159.0	1197.50 10/2	981.88 2/1
Japan					
Nikkei 225(16/5/49)	20351.34	19889.60	20043.5	20488.75 19/5	17303.65 10/1
Nikkei 300(1/10/82)	290.96	287.26	289.26	293.64 6/5	251.04 27/1
Topix(4/1/68)	1503.25	1484.45	1484.61	1512.83 19/5	1320.82 10/4
2nd Section(4/1/68)	1771.31	1762.76	1750.47	1939.21 6/1	1516.60 15/4
Malaysia					
KLSE Comp.(4/4/86)	1096.35	1081.88	1081.10	1271.57 25/2	1041.27 15/5
Mexico					
IPC(Nov 1978)	(u)	3860.86	3866.10	3869.52 22/5	3359.46 2/1
Netherland					
CBS TtlRtnGen(End 83)	950.9	949.7	955.2	955.20 26/5	730.80 2/1
CBS All Shr(End 83)	549.7	549.0	552.2	552.20 26/5	429.00 2/1
New Zealand					
Cap. 40(1/7/86)	2332.87	2321.52	2311.05	2440.21 20/1	2207.46 1/4
Norway					
Oslo SE(Ind)(2/1/83)	1972.86	1974.17†	1972.24	1974.77 27/5	1638.83 2/1
Philippines					
Manila Comp(2/1/85)	2722.57	2710.91	(c)	3447.60 3/2	2468.38 20/5
Portugal					
BVL 30(4/1/93)	2881.17	2869.13	2850.99	2906.26 15/5	2195.57 2/1
Singapore					
SES All-S'pore(2/4/75)	498.64	497.88	496.13	573.03 17/2	479.94 29/4
South Africa					
JSE Gold(28/9/78)	1178.5♥	1186.6	1188.8	1688.10 27/2	1178.50 28/5
JSE Ind.(28/9/78)	8281.9♥	8319.3	8319.5	8588.70 6/5	7659.50 2/1
South Korea					
KoreaCompEx**(4/1/80)	738.12	723.35	718.99	738.12 28/5	611.05 7/1
Spain					
Madrid SE(30/12/85)	564.86	577.76	570.73	577.76 27/5	494.54 2/1
Sweden					
AffarsvarldnGen(1/2/37)	2873.7	2885.8	2911.0	2911.00 28/5	2378.50 2/1
Switzerland					
SMI Index(1/7/88)	6138.1	6190.0	6158.7	6196.70 26/5	3922.80 7/1
SPI General(1/6/87)	3250.39	3281.26	3284.68	3284.68 26/5	2808.22 6/1
Taiwan					
Weighted Pr.**(30/6/66)	8058.46	8123.28	8194.66	8661.72 26/4	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	582.83	580.84	568.36	888.97 22/1	557.87 15/5
Turkey					
IMKB Nat. 100(1986)	1565.00	1523.00	1470.0	1654.00 21/3	885.00 2/1
WORLD					
MS Capital Intl(1/1/70)	906.0*	904.2	906.3	908.30 26/5	784.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2352.26	2370.09	(c)	2370.69 27/5	1988.80 2/1
FTSE E 100(26/6/90)	2005.13	2020.79	2012.43	2020.79 27/5	1582.99 2/1
HSBC JC Drgn(31/12/88)	(u)	412.93	410.92	429.46 20/1	381.54 29/4
ING Brngs Emrg(7/1/92)	178.30	177.46	177.35	181.33 26/2	158.74 3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
May	2690.0	2579.0	−99.0	2682.0	2558.0	52,995	22,819
Jun	2655.0	2554.0	−99.5	2696.0	2533.5	28,558	90,631
DAX							
Jun	3694.0	3636.0	−38.0	3703.5	3626.5	26,811	151,358
Sep	3712.0	3664.0	−43.5	3726.0	3654.0	792	9,769
OMX							
Jun	2283.0	2263.00	−16.00	2292.00	2256.00	4,341	26,248
SOFFEX							
Jun	5220.0	5119.5	−61.0	5224.0	5006.0	5,971	23,977
Jul	-	5120.5	-	-	-	15	1,475

** Sat May 24: Taiwan Weighted Price 8178.70; Korea Comp Ex 725.17. Base values of all indices are 700 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX – all 1,000; SMI - 1500; JSE Gold – 255.7; JSE 80 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 28 - 3636.80 -38.89. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	May 27	May 23	May 22	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7383.41	7345.91	7258.13	7383.41 (27/5)	6391.69 (11/4)	7383.41 (27/5/97)	41.22 (8/7/32)
Home Bonds	102.01	102.26	102.10	103.83 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2677.49	2693.37	2660.69	2693.37 (23/5)	2222.07 (2/1)	2693.37 (23/5/97)	13.23 (8/7/32)
Utilities	219.67	220.56	219.28	240.05 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7421.32 (7348.79) Low 7276.68 (7210.38) (Theoretical♦)
Day's high 7394.95 (7310.06) Low 7302.23 (7242.47) (Actual♦)

Standard and Poors	May 27	May 23	May 22	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	849.71	847.03	835.66	849.71 (27/5)	737.01 (2/1)	849.71 (27/5/97)	4.40 (1/6/32)
Industrials♥	1006.26	998.55	986.04	1006.26 (27/5)	855.42 (11/4)	1006.26 (27/5/97)	3.52 (30/6/32)
Financial	93.35	94.68	93.30	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	440.67	440.28	434.86	440.67 (27/5)	389.47 (11/4)	440.67 (27/5/97)	4.64 (25/4/42)
Amex Comp.	598.44	597.94	593.73	603.63 (10/3)	541.20 (28/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1409.21	1389.72	1372.59	1409.21 (27/5)	1201.00 (2/4)	1409.21 (27/5/97)	54.87 (3/10/74)

RATIOS

	May 23	May 16	May 9	Year ago
Dow Jones Ind. Div. Yield	1.69	1.71	1.71	2.15
	May 21	May 14	May 7	Year ago
S & P Ind. Div. yield	1.67	1.68	1.72	1.83
S & P Ind. P/E ratio	23.39	23.89	23.33	22.71

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron Tech	13,462,200	42⅝	+4¾
AT & T	11,786,100	37½	+1⅛
GEC	6,081,600	60⅞	-½
Ph Morris	6,057,000	44¾	-¼
Seagate	5,973,300	42⅝	+2¾
Westinghse	5,273,300	19	+¼
Nat Semi	4,739,700	28⅝	+⅝
Pepsico	4,305,300	35⅞	+⅜
Bay Network	4,153,600	22¾	+1
Cabletron	3,388,500	43	+1⅛

TRADING ACTIVITY

● Volume (million)

	May 27	May 23	May 22
New York SE	439.057	405.714	418.231
Amex	17.863	15.695	17.279
NASDAQ	648.314	546.680	572.059
NYSE			
Issues Traded	3,362	3,327	3,351
Rises	1,225	1,880	1,276
Falls	1,308	619	1,179
Unchanged	829	828	896
New Highs	213	206	154
New Lows	10	11	9

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Jun	851.30	848.30	−3.05	851.70	846.00	64,822	173,984
Sep	-	857.70	−2.30	-	-	3,470	15,433

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Jun	20110.0	19860.0	−280.0	20190.0	19850.0	19,502	229,009
Sep	20140.0	19880.0	−240.0	20200.0	19880.0	2,499	19,607

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Wednesday, May 28, 1997

	Stocks Traded	Closing Prices	Change on day
Shinko Elect	11.3m	523	−19
Nissan Motor	8.1m	789	+50
Fujitsu	7.2m	1400	+20
Nippon Steel Cp	6.9m	355	+4
Furukawa Elect	6.0m	675	+26
Fujikura	5.0m	1020	+26
NEC Corp	4.7m	1640	+50
NKK Corp	4.0m	246	+1
Matsushita E Ind	3.0m	2230	+50
Hitachi Zosen	3.0m	460	+1

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close May 28

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	24¼	AAR x	0.48	1.6	23	128	31	30¾	30⅞	-⅛
43	33⅛	AMP x	1.04	2.6	33	4668	41⅛	39⅞	41⅛	+1⅜
99¼	78¼	AMR			7	2921	98¾	96⅞	96⅞	-1¾
37⅞	31½	ASA	1.20	3.8	21	318	32⅛	d31⅞	21⅞	
67⅛	49¾	AMBL	1.08	1.7	25	6991	64⅛	62⅞	63⅛	-⅞
18¼	14⅛	AbitibiPr	0.40	2.2	9	323	18⅛	17⅞	17⅞	-¼
19¾	17⅝	ABM Ind	0.40	2.0	18	597	19⅝	19½	19⅝	
23	17¾	Acptance			18	83	20½	20⅛	20⅝	-⅛
66⅞	58⅛	ACE Ltd	0.88	1.4	10	669	62⅛	61⅞	62⅛	+⅛
10⅝	10	ACM Gvt In	0.90	8.9	11	132	10¼	10⅛	10⅛	
7⅝	7	ACM GvOpp	0.63	0.6		22	7½	7⅜	7⅜	-⅛
9⅞	9¼	ACM Mas	0.90	9.2		216	9¾	9⅝	9¾	
10⅝	6¼	Acme Elect				82	7⅛	6⅞	7⅛	+⅜
20	13	Acme Mills				52	15⅜	15⅛	15⅛	-¼
17⅜	14	ACNielsen			59	590	17	16¾	16¾	-⅜
37⅛	27¼	Acordia x	0.96	2.8	16	159	36	35¾	35½	-⅜
28¾	21⅝	Acuson				367	25⅞	25⅝	25⅞	
21⅞	19⅜	Adams Exp x	0.60	2.3	1	201	u21⅞	21¾	21¾	-⅛
48½	24⅞	AdtMic				14218	43⅞	41⅞	42¼	-⅜
17¼	10⅜	Advest Grp	0.03	0.2	12	361	16⅞	16⅝	16¾	-⅛
14⅝	11⅜	Advo Inc			18	264	13⅞	13¾	13⅞	+⅛
75¾	61⅛	Aegon x	1.45	1.9	21	478	75¾	74¾	74⅞	-⅜
5⅛	3⅛	Aerflx				123	3⅞	3⅝	3¾	+⅛

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Continued on next page

4 pm close May 28

NYSE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close May 28

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08325	44	19¼	13	13	-⅝	
Kaman Cp	0.44	24	97	13⅞	13½	13⅝	+⅛
Kelly Sv	0.84	14	286	28¾	28⅛	28½	
Kimball	1.04	14	69	39	38¾	39	-1/16
KLA-Tn			3515559	u53⅛	49½	49¾	-1⅞
Koll A			2901	⅛	4/32	0.11	
Komag§		20	8287	35	33¼	33⅞	-1/16
Kulicke S			13184	u35⅝	33	35⅞	+⅝

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow§		13	3976	17	16¼	16⅞	
Rallys			194	2⅛	2⅛	2⅛	-⅛
Raymond	0.25	10	329	32⅛	31¾	31¾	-¼
RCSB Fin	0.60	14	4477	41¼	40⅞	40⅞	-⅛
Read-Rite			38994	23⅞	22⅝	23⅝	+1⅝

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx§			3921802	57⅝	54½	56⅞	+1⅛
Xircom		22	8461	15⅝	14¾	15¼	+⅛
Xoma Corp			2592	4⅞	4⅛	4⅛	-⅛
Yellow			1443	19⅝	19⅛	19½	+⅛
York Rsch		18	604	7⅛	7⅝	7⅛	+⅛
ZionsUtah	0.44	17	7741	31⅛	30⅞	30⅞	+⅛

AMEX PRICES

4 pm close May 28

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5.375	+0.125	89500	8.25	4.375	Esprit Telecom ADS	US$7.75	+0.375	2000	12.25	5.375
Artwork Systems	US$11		99045	11	9.5	Innogenetics	US$11.5		83783	12.75	10.375
Chemunex	FFr18		14200	18	18	Mercer Internatl.	US$10.875	+0.25	0	11.75	0.125
Dr Solomon's ADS	US$21.375	-0.375	8000	26.5	18.875	PixTech	US$4	-0.375	5000	0.125	4

Prices for 28/5/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9890).

Nike shares up 6% on Buffett rumours

AMERICAS

Wall Street trading was mixed at midsession although most indices managed to hold on to the record-breaking gains of recent days, *writes Jane Martinson in New York.*

The Dow Jones Industrial Average fell 19.32 to 7,364.09 after a morning during which it had flirted with further all-time highs.

Bond prices provided some support, especially to interest rate-sensitive stocks. The benchmark 30-year note rose $\frac{11}{32}$ to $95\frac{5}{16}$, pushing the yield back below the important 7 per cent barrier to 6.996 per cent in morning trading.

Other indices were flat. The more broadly-based S&P 500 was down 0.80 to 848.91 while the technology-driven Nasdaq composite index eased 0.42 to 1,408.79, staying above the 1,400 threshold breached earlier this week in spite of both Intel and Microsoft losing ground.

The Russell 2000, the index for smaller company shares, also managed to hold on to the all-time high levels of the previous two sessions. It gained 0.41 at 377.15.

Shares in Nike jumped $3⅞ or 5 per cent to $64 on rumours that Warren Buffett, the head of Berkshire Hathaway and a famed investor, was buying a stake in *the footwear and clothing* group.

IBM put body into the Dow after a 2-for-1 stock split lifted its shares. This was *offset* by DuPont, which fell victim to profit taking, and lost $2⅞, or 2 per cent, to $109⅞.

Investors reacted badly to the merger of the business service groups, CUC and HFS. The former fell $2 or almost 8 per cent to $24 while HFS dropped $2⅞ or 4 per cent to $56⅛. Fibreboard Corporation rose 6\frac{11}{16}$ to 54\frac{5}{16}$ on news of its proposed takeover by Owens Corning, which rose $1 to $42⅛.

TORONTO ended lower after a morning of broadly mixed trading for leading stocks. At noon, the 300 composite index was off 26.24 at 6,416.30.

Northern Telecom lost 25 cents to C$118.75 and Seagram shed 15 cents to C$54.35, But there was plenty of blue pencil in oper*ation elsewhere.*

Newbridge Networks jumped C$1.15 to C$58.65 after a broker recommendation upgrade. Solid quarterly *profits progress left Royal* Bank of Canada up 15 cents to C$61.05.

MEXICO CITY lost ground after 28-day money rose sharply at Tuesday evening's auction. "It's a cocktail of adverse factors. Rates are up, Wall Street is dull and there are reports of guerrilla attacks," said one broker.

At midsession, the IPC index was off 37.86 or 0.7 per cent at 3,923.00.

SANTIAGO moved higher in thin trading conditions. Endesa stayed in demand following ADR buying in New York. The shares added 5.25 pesos to 290 pesos. At midsession, the IPSA index was up 0.90 at 127.16. **BUENOS AIRES** traded quietly to end the morning session in negative territory. At midsession, the Merval index was off 0.65 at 764.64.

South Africa falls after inflation data

Shares in Johannesburg fell steeply as a dull bullion price and disappointing inflation data for April depressed sentiment and pushed both golds and industrials lower.

Golds fell to a four-year low with the index off 8.1 at 1,178.5. Industrials retreated 37.4 to 8,281.9, and the all-share index ended 24.5 lower at 7,040.8. But the main excitement on the mining pitches was a surge for platinum shares which jumped following a strike at Rustenburg Platinum and an upward spike for the platinum price. Potgietersrust rose R1.20 to R27.90.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: May 23 1997	% Change over week	% Change on Dec '96	Local currency terms: May 23 1997	% Change over week	% Change on Dec '96
Latin America	(248)	673.47	+2.4	+25.2			
Argentina	(30)	1,114.06	+2.7	+17.2	663,163.88	+2.7	+17.2
Brazil	(68)	538.40	+1.6	+35.8	2,156.77	+2.0	+40.0
Chile	(46)	757.39	+3.3	+22.1	1,272.62	+3.6	+20.7
Colombia[1]	(14)	860.34	+3.2	+35.9	1,640.23	+3.8	+45.4
Mexico	(64)	624.33	+2.6	+17.9	2,120.34	+2.4	+16.0
Peru[2]	(17)	253.59	+4.8	+28.9	412.81	+4.8	+32.1
Venezuela[3]	(9)	772.12	+1.8	+6.1	6,601.42	+1.9	+7.9
Asia	(709)	235.39	+2.1	-6.9			
China[4]	(27)	78.14	-0.5	+6.0	81.79	-0.5	+5.9
South Korea[5]	(156)	79.34	+5.2	+2.7	92.91	+5.1	+8.2
Philippines	(42)	232.71	+1.8	-20.7	296.54	+1.9	-20.5
Taiwan, China[6]	(90)	170.66	-0.0	+11.4	178.29	+0.3	+12.7
India[7]	(77)	93.38	-1.0	+18.5	118.50	-1.2	+18.2
Indonesia[8]	(49)	121.07	+0.1	-5.1	160.57	+0.3	-2.0
Malaysia	(149)	296.05	+3.4	-12.1	273.38	+4.1	-12.8
Pakistan[9]	(28)	232.20	-1.2	+18.6	427.03	-1.0	+19.4
Sri Lanka[10]	(5)	110.73	+0.1	+16.5	141.45	+0.1	+20.2
Thailand	(87)	152.18	+5.0	-31.3	155.01	+4.1	-31.2
Euro/Mid East	(264)	157.19	-1.1	+17.1			
Czech Rep	(7)	57.04	-6.1	-18.7	58.78	-4.7	-7.4
Egypt	(16)	99.22	+0.2	-	99.07	+0.2	-
Greece	(54)	400.60	+4.4	+65.3	732.68	+4.4	+80.9
Hungary[11]	(12)	252.45	-0.5	+28.3	549.94	-0.3	+43.7
Jordan	(7)	193.15	+0.4	+3.5	288.25	+0.4	+3.3
Morocco	(5)	124.98	-3.8	-	127.86	-3.9	-
Poland[12]	(30)	703.94	-2.5	-3.9	1,421.24	-0.6	+7.8
Portugal	(28)	175.50	-1.3	+20.1	205.87	-1.3	+32.0
Russia	(15)	127.59	-2.1	-	130.61	-2.2	-
Slovakia	(5)	107.95	-1.7	-	111.27	-1.1	-
South Africa[13]	(63)	231.74	-1.3	+11.1	213.98	-1.4	+6.2
Turkey[14]	(58)	191.37	-3.3	+28.7	12,539.78	-2.8	+64.5
Zimbabwe[15]	(5)	551.78	-2.0	+16.5	917.84	-2.1	+21.6
Composite	(1221)	320.27	+1.5	+8.6			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

This week's effective devaluation of the koruna has been warmly welcomed by the Czech stock market which has jumped nearly 9 per cent in two days, *writes Jeffrey Brown.*

But the rebound, which slowed markedly yesterday, may prove short-lived. The PX50 share index is still 20 per cent lower this year in dollar terms and most east European specialists remain firmly defensive on Czech shares.

"The currency needs to fall much further, and even then it will need a lot more political will to fully salvage the economy," says Mr Nigel Rendell, emerging Europe strategist with HSBC James Capel.

The PX50 has seesawed alarmingly this year. It surged from 530 to 630 in the first two months before sliding heavily on worries about the trade deficit and what investors saw as an unstable political vacuum. At the close yesterday, it was up 0.5 per cent at 502.5.

The current account deficit clearly needed attention. It ran to 8.5 per cent of GDP in 1996 and looked to be heading for 10 per cent this year as imports soared and exporters found it ever harder to achieve success.

Mr Rendell says the currency needs to fall a further 10 per cent against the D-Mark before any real economic stability can be achieved. Even then, the upturn in inflation is going to create its own problems.

On a price-earnings ratio of 9.5 for 1997 the Czech market is the cheapest among the east European majors, and company earnings should start to improve soon. But Mr Rendell remains underweight on the market. There is still a lot of political uncertainty to be overcome, he says.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	TUESDAY MAY 27 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MAY 26 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	231.87	-0.8	211.04	170.91	205.08	201.81	-0.4	3.79	233.72	211.30	171.87	205.33	202.86	234.37	188.44	205.94
Austria (24)	199.29	-0.6	181.39	146.89	176.26	176.20	0.1	1.86	200.52	181.29	147.46	176.17	176.12	200.52	174.70	189.84
Belgium (26)	252.76	-0.8	230.07	186.32	223.56	218.87	-0.2	3.27	254.98	230.52	187.50	224.01	218.33	254.98	206.70	210.81
Brazil (30)	263.70	0.8	240.00	194.36	233.22	520.72	0.9	1.37	261.55	236.47	192.34	229.76	516.15	263.70	162.65	168.80
Canada (113)	207.48	-0.8	188.84	152.93	183.50	207.34	-0.7	1.87	209.45	189.36	154.02	184.01	208.83	209.45	154.12	164.14
Denmark (32)	385.17	-1.3	350.56	283.90	340.65	339.45	-0.6	1.49	390.15	352.72	286.90	342.76	341.40	390.15	292.69	296.04
Finland (26)	275.61	-1.0	250.85	203.15	243.76	296.46	-0.5	1.54	278.41	251.70	204.73	244.59	297.86	279.94	186.57	196.58
France (91)	222.59	0.4	202.59	164.06	196.86	200.37	1.0	2.83	221.72	200.45	163.06	194.80	198.46	232.34	186.94	194.76
Germany (59)	216.35	-0.2	196.91	159.46	181.34	191.34	0.4	1.48	216.80	196.09	159.50	190.56	190.56	216.80	167.18	167.74
Hong Kong (66)	515.29	-0.5	469.00	379.81	455.74	512.10	-0.5	2.95	517.94	468.25	380.87	455.03	514.58	517.94	407.65	434.67
Indonesia (27)	230.86	1.6	209.90	169.99	203.87	345.26	1.6	1.65	227.01	205.24	166.94	199.44	339.87	-	-	-
Ireland (16)	347.19	-0.4	316.00	255.91	307.07	323.86	0.2	3.01	348.68	315.24	256.41	306.34	323.23	350.98	270.08	277.30
Italy (59)	89.84	0.2	81.77	66.22	79.45	112.54	0.9	2.23	89.65	81.05	65.93	78.76	111.55	96.32	73.26	82.37
Japan (485)	130.31	-1.0	118.60	96.05	115.25	96.05	-0.7	0.82	131.57	118.95	96.75	115.59	96.75	159.25	107.57	154.15
Malaysia (107)	526.61	-0.8	479.48	388.30	465.93	510.76	-0.2	1.34	531.12	480.17	390.57	466.62	511.77	660.65	510.10	558.37
Mexico (27)	1420.35	-0.8	1292.74	1046.90	1256.20	12313.86	-0.6	1.22	1433.79	1296.26	1054.38	1259.86	12394.29	1445.68	1110.35	1308.89
Netherland (18)	377.04	-1.3	343.16	277.91	333.47	329.25	-0.8	2.38	382.16	345.50	281.03	335.75	331.33	382.16	279.86	295.04
New Zealand (14)	88.83	0.4	80.85	65.48	78.57	66.26	0.7	4.21	88.45	79.97	65.05	77.71	67.81	95.60	75.94	78.07
Norway (41)	313.71	-0.7	285.52	231.23	277.45	301.57	-0.1	2.04	315.84	285.54	232.26	277.48	301.84	321.23	246.04	246.37
Philippines (22)	164.90	3.9	150.08	121.54	145.84	216.74	3.9	0.86	158.79	143.56	116.77	139.51	208.71	-	-	-
Singapore (42)	391.84	0.1	356.45	288.67	346.36	258.12	0.1	1.16	391.15	353.63	287.64	343.64	257.94	448.01	360.08	421.02
South Africa (44)	353.96	-0.1	322.16	260.90	313.05	346.28	-0.1	2.47	354.49	320.48	260.68	311.44	346.53	370.12	301.49	352.98
Spain (35)	262.42	0.8	238.84	193.42	232.09	285.31	1.3	2.29	260.41	235.43	181.50	228.79	281.62	262.42	171.91	176.18
Sweden (46)	460.57	-1.4	419.18	339.48	407.35	521.59	-1.1	1.98	467.15	422.34	343.52	410.41	527.46	467.61	334.35	348.57
Switzerland (35)	295.86	-1.4	269.28	218.07	261.67	260.10	-0.1	1.28	299.90	271.13	220.54	263.49	260.39	299.90	229.36	231.70
Thailand (43)	63.05	2.5	57.39	46.48	55.77	63.18	2.8	4.93	61.51	55.61	45.23	54.04	61.38	160.09	58.76	179.76
United Kingdom (211)	300.81	-0.2	273.79	221.72	266.05	273.79	0.4	3.84	301.58	272.65	221.77	264.96	272.65	303.18	229.63	230.34
USA (651)	*343.87*	*0.3*	*312.97*	*253.45*	*304.13*	*343.87*	*0.3*	1.76	*342.72*	*309.85*	*252.03*	*301.10*	*342.72*	*343.87*	*254.76*	*276.24*
Americas (821)	314.74	0.3	286.46	231.96	278.37	265.05	0.3	1.77	313.80	283.79	230.83	275.79	264.30	314.74	233.09	252.32
Europe (725)	263.66	-0.4	239.98	194.34	233.18	243.10	0.3	2.61	264.78	239.38	194.71	232.63	242.44	264.78	204.71	207.67
Nordic (150)	396.54	-1.2	360.91	292.28	350.71	388.41	-0.8	1.85	401.56	363.04	295.29	352.79	391.67	401.56	291.45	299.63
Pacific Basin (882)	148.97	-0.8	135.59	109.81	131.78	110.30	-0.6	1.30	150.21	135.80	110.46	131.97	110.96	170.85	127.16	167.51
Euro-Pacific (1607)	196.81	-0.6	179.13	145.06	174.07	160.39	-0.1	2.03	198.00	179.01	145.60	173.95	160.57	198.16	173.55	184.14
North America (764)	*335.55*	*0.3*	*305.40*	*247.32*	*296.77*	*334.85*	*0.3*	1.78	*334.64*	*302.54*	*246.08*	*294.00*	*333.90*	*335.55*	*248.85*	*269.30*
Europe Ex. UK (514)	237.62	-0.5	216.27	175.14	210.15	220.99	0.2	2.04	238.86	215.94	175.65	209.85	220.57	238.96	185.65	180.10
Pacific Ex. Japan (397)	309.07	-0.4	281.30	227.81	273.35	270.33	-0.2	2.78	310.33	280.56	228.21	272.64	270.80	320.65	268.97	291.18
World Ex. US (1821)	200.24	-0.6	182.25	147.59	177.10	166.75	-0.1	2.01	201.44	182.11	148.13	176.97	166.97	201.44	176.94	185.51
World Ex. UK (2261)	240.64	-0.1	219.02	177.37	212.83	211.90	0.1	1.71	241.02	217.90	177.24	211.75	211.80	241.02	199.58	211.99
World Ex. Japan (1987)	305.09	0.0	277.68	224.87	269.83	294.42	0.2	2.12	305.11	275.84	224.37	268.06	293.69	306.11	233.10	246.48
The World Index (2472)	*245.80*	-0.2	*223.72*	181.17	*217.39*	*217.57*	0.1	1.90	*246.21*	*222.59*	*181.05*	*216.31*	*217.38*	*246.21*	*202.32*	*213.70*

PLEASE NOTE: Amendments to indices 27/5/97 and 26/5/97 applied to all country, related regional and The World Index. CONSTITUENT CHANGE WITH EFFECT 2/6/97: Addition: Gallaher Group (Medium-Small Cap) (UK). CONSTITUENT CHANGE 28/5/97: Name change: Swissair (Registered) to Sairgroup (Registered) (Switzerland).

Poll puts Paris back on the ropes

EUROPE

French election jitters spread to a number of bourses. **PARIS** itself was back on the ropes after rumours of a private opinion poll showing a comfortable *election win for the Left ran* through the market. Shares fell to their lowest levels since late April.

It was one of the best day's for volume this year with 22.5m shares traded, but one of the most despairing for investor sentiment. Ahead of Sunday's final round of voting in the general election, political uncertainty depressed bonds and the franc and sent the CAC 40 index skidding 97.17 or 3.6 per cent to 2,583.17.

Worries about a possible unwinding of restructuring plans continued to gnaw away at Renault, which fell FFr11.40 or 7.9 per cent to FFr133.10, not helped by news of a reduced forecast for French car sales this year from Peugeot. Michelin fell FFr15.10 to FFr325.

Banks were again under heavy pressure. BNP came off FFr17.90 or 7.1 per cent to FFr233 and Société Générale fell FFr41 or 6.3 per cent to FFr613. LVMH, which *objects* to the planned merger of Guinness and Grand Metropolitan, threatened to unravel its cross-shareholdings with Guinness and dipped FFr23 to FFr1,389.

FRANKFURT re-ran Tuesday's broad market pattern. The Dax index attacked the *3,700 level with another* intra-day high of 3,696.57 before subsiding to close 38.83 lower at an Ibis-indicated 3,626.60.

Turnover rose from DM10.3bn to DM12.8bn as an increasingly weak day for the dollar brought more exporters into the profit-*taking arena.* BMW fell DM58.85 or 4 per cent to DM1,428, Linde, the forklift leader, by DM34.75 to DM1,210 and Siemens by DM2.08 to DM97.42.

Tuesday's weakness in state-owned shares moved from Deutsche Telekom, which recovered a token 13 pfg to DM38.85, to Lufthansa and Volkswagen, both partially state-owned, and down DM1.06 or 3.7 per cent to DM27.34, and DM19.70 to DM1,124 respectively.

Outside the Dax, the flooring merger between Tarkett and Sommer-Allibert of France, involving Sommer making a partial bid for Tarkett at DM32.75 a share, sparked a dramatic reaction in the German company's shares, which rose DM7.70 or 24 per cent to DM39.80 in relatively heavy volume.

Mr Stefan Voss, at Merck Finck in Munich, said that the shares were worth "at least" DM40.

AMSTERDAM eased for the second day, with the AEX index closing off 1.18 at 804.95. Royal Dutch sidestepped the general downtrend, adding Fl 2.50 to Fl 375.40, and there was good demand for Fortis Amev which turned in first-quarter results handsomely ahead of broker forecasts.

Against expectations of 20 per cent profits growth, Amev achieved 30 per cent and the shares gained 80 cents to Fl 82.80 in 1.4m shares traded amid widespread talk of analysts' earnings upgrades.

MILAN lost ground in spite of mounting hopes *for* a Bank of Italy reduction for interest rates next week following tomorrow's presentation of Treasury spending cuts to the cabinet. The Mibtel index ended down 95 at 12,242.

Fiat gained L52 to L5,605, but the broad trend was on the downside. La Fondiaria shed L246 to L6,250 and Mediobanca came off L194 to L9,890.

ZURICH worried about the prospect of European macroeconomic uncertainty if the French right failed to regain its mandate. The SMI index fell 56.9 to 5,133.1 after profit-taking in blue chips and derivatives-linked transactions, and turnover was high at SFr3.26bn.

Sentiment swung back to caution on the Roche/Boehringer deal, and Roche's certificates dropped SFr385 or nearly 3 per cent to SFr12,810. In chemicals, Ciba SC, which had been highly volatile over the previous two days, rose SFr2.50 to SFr144 on a 19 per cent rise in first-quarter sales.

MADRID used the French situation as an excuse to put a crimp in a winning streak that had taken the market up by over 25 per cent since April 3.

The general index came back 12.90 or 2.2 per cent to 564.86 in a broadly based decline. This was led by Repsol, Pta260 or 4.1 per cent off at Pta6,070, and the volatile construction sector where Cubiertas dropped Pta1,010 or 6.1 per cent to Pta15,510.

STOCKHOLM had pockets of strength: Volvo rose SKr2 to SKr210 after it said that its global truck order intake rose by 32 per cent in the first four months of this year, and Hennes & Mauritz, the fashion retailer, put on SKr7 at SKr260.

The general index closed just 11.10 or 0.4 per cent lower at 2,840.10.

ISTANBUL saw a further inflow of funds on expectations that a new government would replace the ruling Islamist-led coalition.

Up 3.6 per cent on Tuesday, the IMKB National-100 index rose another 42 or 2.8 per cent to 1,565, turnover soaring from TL19,900bn to TL34,060bn.

TEL AVIV, too, racked up a big rise in turnover, from Shk151m to Shk215m as the Mishtanim index rose 3.73 or 1.4 per cent to 274.63. Here, investors were inspired by the successful privatisation of Bank Leumi in an offer raising an initial Sch630m.

LISBON, with the BVL 30 index up 12.04 at 2,881.17, highlighted Sonae Industria which leapt Esc97 or 6.6 per cent to Esc1,579 after the company said it was going to issue 7m new shares at Esc1,700 each.

Traders said the decision to set the price significantly above the market indicated that Sonae's major shareholder, Inparsa, was looking to tighten its grip on the wood products group.

Written and edited by William Cochrane and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

May 28 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2375.12	2375.91	2372.54	2359.82	2358.12	2355.61	2352.52	2352.28
FTSE Eurotrack 200	2400.98	2402.42	2401.44	2390.24	2386.70	2388.95	2381.21	2386.28

	May 27	May 23	May 22	May 21	May 20
FTSE Eurotrack 100	2370.09	2357.19	2369.29	2354.38	2337.33
FTSE Eurotrack 200	2392.37	2381.76	2385.22	2385.14	2359.41

Base value 1000 (26/10/90); High/day: 100 - 2377.48; 200 - 2403.44 Low/day: 100 - 2351.25 200 - 2381.21. † Partial.

Pacific echoes of US tech stocks rally

ASIA PACIFIC

The overnight rally in US technology stocks was echoed in the Pacific Basin. **TOKYO** pushed up semiconductor-related issues, as well as companies posting strong annual earnings as the Nikkei average broke back through the 20,000 level for a gain of 2.3 per cent, *writes Gwen Robinson.*

The 225 index ended 461.45 higher at 20,351.34 after moving between 19,928.49 and 20,351.64. Volume swelled from 306m shares to an estimated 374m. Advances led declines by 836 to 254 with 143 unchanged.

The Topix index of all first-section stocks rose 18.80 to 1,503.25 and the capital-weighted Nikkei 300 by 3.70 to 290.96.

Trading was spiced by Tuesday's announcement that Sega and Bandai, the gamemakers, would scrap their merger plans, and by yesterday's *earnings figures* from both. Bandai, which saw earnings fall in the year to March, slid Y90 to Y2,670 while Sega, which reported strong earnings, added Y80 to Y3,780.

Good earnings took Nissan Motor, with a 150 per cent leap in unconsolidated recurring profit, up Y50 to Y789; NTT, which recently reported positive earnings, advanced Y30,000 to Y1.08m. Toyoda Automatic Loom Works jumped Y140 to Y2,470 on reports that the company would join Sony next year to produce liquid crystal displays.

Semiconductor-related issues, meanwhile, chalked up *solid gains* on renewed confidence in the industry's outlook. Tokyo Electron rewrote its high for the year, rising Y170 to Y5,220. Advantest added Y130 to Y7,230 and NEC Y50 to Y1,640. Among blue-chip electricals, Sony climbed Y210 to Y9,900 and Pioneer Electronic Y120 to Y2,700.

In Osaka, the OSE average added 190.60 to 20,948.74 and volume climbed to 15.4m shares. In London, the ISE/Nikkei 50 index rose 2.61 to 1,591.92.

SEOUL rose 2 per cent to a new 1997 high after it combined the semiconductor theme with hopes for an economic turnround and sharply falling interest rates.

Brokers said that construction and financial companies with high financial costs would benefit from falling rates, but their impact was more general. The large-cap sub-index rose 3.3 per cent as the composite index closed 14.77 higher at 738.12.

LG Electronics went limit high, up Won 1,000 to a 1997 peak of Won14,100 on the argument that home appliance makers would be a major beneficiary of an economic turnround.

In semis, LG Semicon *also* went limit up, gaining Won2,600 to Won35,100, Hyundai Electronics put on Won2,900 at Won 42,900 and Samsung Electronics rose Won3,000 *to* Won64,500.

KUALA LUMPUR majored on large-caps on active domestic institutional buy*ing.* The KLSE composite index gained 14.45 or 1.3 per cent to 1,096.83. Public Bank local and foreign shares moved both ways, and fast, on speculation over changes to its foreign shareholding limits. The foreign tranche plunged 50 cents or 11.3 per cent to M$3.92 in the market's heaviest volume of 21.6m shares while the local stock jumped 24 cents or 7.2 per cent to M$3.56 in 2.5m shares.

Analysts cited a Public Bank circular which, they said, would allow foreign investors to buy into the local tranche of the stock, and not just limit them*selves to the foreign shares.*

TAIPEI fell in spite of a modest rise in electronics stocks. The weighted index lost 64.80 at 8,058.46.

Turnover, once again, was modest at T$81.1bn. The heavily weighted financial sector lost 1.3 per cent on profit-taking, and foods and papers dropped 1.5 and 2.25 per cent respectively.

BANGKOK retreated another 1.2 per cent after weak first-quarter earnings from Siam Cement, and on lingering jitters over the finance sector outlook.

The SET index closed 7.01 lower at 562.88 in thin turnover of Bt2.2bn. Siam *Cement* fell Bt8 to Bt528.